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Business & Finance

J&F Investimentos, the holding company that controls JBS, agreed to pay \$3.2 billion to settle corruption investigations, Brazilian prosecutors said. **A1**

◆ **China's** sovereign-wealth fund is in advanced talks to purchase a European warehouse company from Blackstone in a \$13.4 billion deal. **B5**

◆ **Uber** fired Anthony Levandowski, its top driverless-car executive, in a bid to contain a spiraling legal battle with Alphabet. **B4**

◆ **Women CEOs** at some of the largest U.S. companies repeatedly outearn their male counterparts, an analysis showed. **B1**

◆ **The yuan** surged to its highest level against the dollar in six months in offshore markets. **B1**

◆ **Toshiba** made a legal concession to Western Digital in a bid to accelerate the sale of its lucrative memory-chip unit. **B4**

◆ **Indian** mobile-payments app Paytm has a new target after proving itself more popular than credit cards: cash. **B1**

◆ **RHB Bank** and AMMB Holdings are considering a merger that will create Malaysia's third-largest banking group. **B5**

◆ **Investors** have been rushing into eurozone debt of late, and Portugal is emerging as the rally's surprising star. **B8**

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◆ **A truck** packed with explosives exploded near heavily fortified embassies and military bases in Kabul, killing at least 80 people in the latest attack by militants. **A1**

◆ **Trump** is leaning toward unwinding emissions reductions that the U.S. agreed to as part of the 2015 Paris climate accord, White House officials said. **A1**

◆ **Russia** launched four cruise missiles at Islamic State targets in Syria from a warship and submarine in the Mediterranean. **A4**

◆ **The EU's** executive arm outlined a process to strengthen the eurozone, including a budget overseen by a common treasury. **A5**

◆ **Australia's** domestic spy chief dismissed claims that Muslim refugees and their children are to blame for a rise in terrorist incidents. **A4**

◆ **A labor-rights** group said it lost contact with three undercover investigators who worked at Chinese factories making Ivanka Trump-brand shoes. **A3**

◆ **The Supreme Court** said it would review an Ohio procedure that has sharply scaled back the state's voting ranks. **A7**

◆ **India** said its economy grew 6.1% in the first quarter from a year earlier, the weakest expansion in more than two years. **A3**

◆ **The eurozone's** annual rate of inflation fell more sharply than expected in May. **A5**

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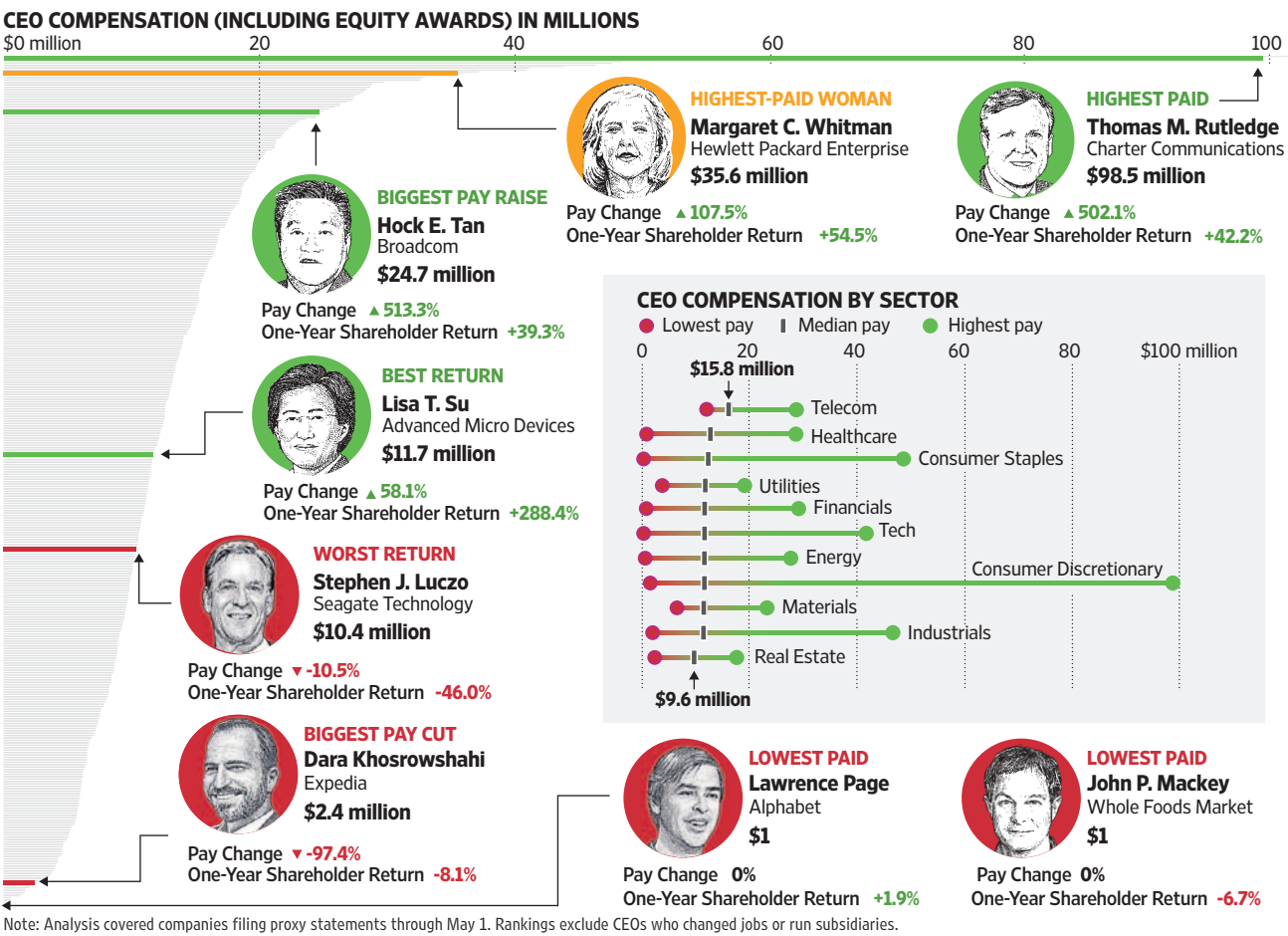
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Amid Rising Profits and a Surging Stock Market, CEOs Cash In



UPWARD: The median pay for CEOs at S&P 500 companies was \$11.7 million in 2016, up from \$10.8 million the year before and a post-recession record, according to a Wall Street Journal analysis. Female CEOs outearn male ones, although women remain greatly outnumbered. **B1**

Scores Dead in Kabul Blast

Explosion strikes in the city's diplomatic heart; hundreds were injured while heading to work

By JESSICA DONATI AND EHSANULLAH AMIRI

KABUL—A truck packed with explosives exploded near heavily fortified embassies and military bases in the Afghan capital on Wednesday, killing at least 80 people in the latest attack by militants aimed at destabilizing the

country's fragile government.

The death toll from the blast was expected to rise as more bodies were discovered in the debris and collapsed buildings. Doctors labored to save the lives of more than 300 people injured in the blast, many as they headed to work on foot or in buses, witnesses and Interior Ministry officials said.

Afghans working for government agencies, media organizations and foreign embassies were among the dead in the rush-hour explosion. They included 10 Afghan secu-

city personnel working for the U.S. government, according to an internal U.S. State Department update. A driver for the Afghan service of the British Broadcasting Corp. was also killed.

The Taliban, which has waged war against the U.S.-backed government for 16 years, denied responsibility for the bombing. There was no immediate response to the attack from its Islamist rival, the local branch of Islamic State, which in the past year has expanded its operations beyond its stronghold in eastern Nan-

garhar province and carried out large attacks in Kabul.

The blast came a week before the Afghan government of President Ashraf Ghani was to host a gathering of representatives of more than 20 countries to discuss political solutions to the long-running conflict with the Taliban.

It also came amid debate in the administration of President Donald Trump over the direction of U.S. policy in Afghanistan: The Pentagon has recommended sending an additional 3,000 U.S. troops to

Trump Weighs Loosening Climate Accord

By ELI STOKOLS AND BRADLEY OLSON

President Donald Trump is leaning toward unwinding emissions reductions that the U.S. agreed to as part of the 2015 Paris climate accord, but he has yet to make a final decision on the matter, three White House officials said Wednesday.

The president said on Twitter on Wednesday morning that a determination on the Paris accord would come "over the next few days."

Under the climate-change accord, 190 countries committed to cutting greenhouse-gas emissions, in an effort to combat climate change. The agreement aims to keep average global temperatures from rising more than 2 degrees Celsius, or 3.6 degrees Fahrenheit, above preindustrial levels.

Under the agreement, each participating country determines its own set of emissions targets and a plan to reach them. The U.S. had pledged to cut greenhouse-gas emissions by 26% to 28% from 2005 levels by 2025. The U.S. is the world's second-largest emitter of carbon, behind only China, which has reaffirmed its own commitment to meeting its targets under the Paris accord.

According to several administration officials and other people with direct knowledge of the deliberations, Mr. Trump is weighing how far to go in fulfilling a campaign promise that he would pull the

◆ **Capital Account:** This time, Trump is right about trade... **A2**

FLYNN'S PRO-TURKEY WORK: UNFINISHED FILM

Former Trump adviser's contracts the subject of expanding investigation

By DION NISSENBAUM

WASHINGTON—Last fall, as retired Lt. Gen. Mike Flynn traveled the country stumping for Donald Trump, his business partner holed up in a small Washington hotel room with the former head of Turkish military intelligence to work on a special project.

"General, hi. I'm Bijan Kian, welcome to Washington, D.C.," Mr. Kian, the head of Mr. Flynn's consulting firm, greeted the Turkish dignitary. "Gen. Flynn, my partner, sends his regards to you."

The hotel room meeting was filmed as part of a documentary the Flynn Intel Group was producing for a Turkish businessman, who paid \$530,000 to the lobbying shop to

polish the country's image after a botched military coup. That contract has landed Mr. Flynn in legal jeopardy.

The unfinished, never-distributed film, details of which haven't been previously reported, appears to represent the core of the Flynn Intel Group's work for Turkish interests.

The contract is at the heart of an expanding investigation into Mr. Flynn's business dealings. In February the retired three-star general was forced to resign, under fire over his conflicting statements about his contacts with Russian officials before the inauguration, after 24 days as Mr. Trump's national security adviser.

Mr. Flynn didn't disclose to the federal

Please see FLYNN page A8

Brazilian Company to Pay Fine of \$3.2 Billion

By LUCIANA MAGALHAES

SÃO PAULO—The holding company that controls JBS SA, the world's biggest meat producer, agreed to pay 10.3 billion reais (\$3.2 billion) as part of multiple corruption investigations, Brazilian prosecutors said.

J&F Investimentos accepted the agreement with Brazilian authorities after the company's owners admitted their firm paid millions of dollars in bribes to government officials over several years.

The holding company will pay the fine over 25 years, with the first payment expected in December, prosecutors said in a statement late Tuesday.

In an email on Wednesday, J&F confirmed that the fine

Honey, Is It Your Turn to Run For That Seat in Congress?

A Nebraska couple are debating which one of them should make a run at the House

By KRISTINA PETERSON

WASHINGTON — Former Democratic Rep. Brad Ashford is considering mounting a challenge to the Republican who beat him last fall. So is his wife.

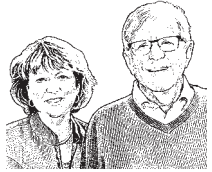
Mr. Ashford and his wife, Ann Ferlic Ashford, haven't decided yet which spouse will take on GOP Rep. Don Bacon, who is representing their swing district based in Omaha, Neb. They have, however, consulted their friends, three children and assorted Democratic officials in both Nebraska and Washington for advice on who is best for the challenge.

"I'm sure they think we're crazier than loons because we

can't make up our minds: is it me or Ann? We're going to make the right decision," Mr. Ashford said.

The Ashfords' dilemma strikes at the intersection of 21st century politics and modern marriage. Their quandary is familiar to any couple struggling to balance the demands of two careers. On the other hand, most spouses aren't both considering a run for Congress.

"I'll tell you what, it makes family dinners certainly more interesting than most," said John Ashford, a lawyer in the public defender's office in Omaha and the older of two children Mr. Ashford has from a previous marriage. "Most



The Ashfords

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM. Copyright © 2017, Oracle and/or its affiliates. All rights reserved.

WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

This Time, Trump Has a Point About Trade



President Donald Trump took his bellicose economic agenda on the road last week, blasting Germany for its “very bad” trade surplus—or “evil” as one German newspaper translated it—then repeating the accusation on Twitter back home.

It was one of several slights that prompted German Chancellor Angela Merkel to respond frostily that Europe needed to determine its future without counting on America help.

Yet Ms. Merkel would be wise to listen. While Mr. Trump gets a lot wrong about trade, on this particular point he’s right. Germany’s current-account surplus, which combines trade and investment income, is now the world’s largest. Along with China’s, it is a dangerous imbalance that leaves others, including the U.S. and the rest of Europe, worse off.

It’s not just Mr. Trump who thinks so. “The criticism is right. Germany’s trade surplus is excessive,” says Marcel Fratzscher, president of DIW Berlin, a prominent German think tank. Mervyn King, former governor of the Bank of England, went further, arguing, “President Trump is right when he identifies a problem with current international trading

and monetary relationships.” Mr. Trump does misstate the problem. It’s not, as he frequently claims, that a trade deficit means one country is using protectionist policies to win at another’s expense. Protectionism can change the patterns of a country’s exports and imports, but not the overall balance.

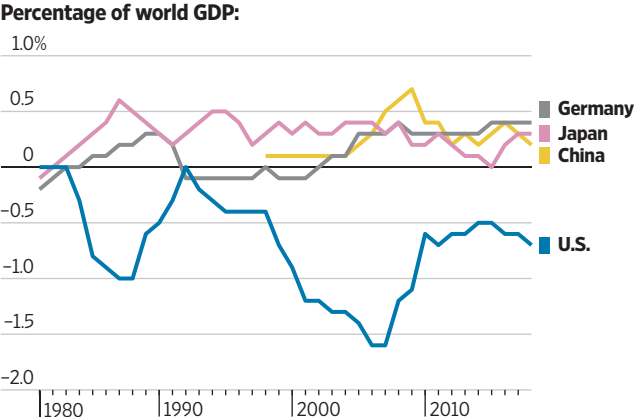
Rather, deeper economic forces are at work. A trade surplus means a country consumes less than it produces and thus saves a lot. A deficit means the opposite. This can be benign: a country in the upswing of the business cycle, like the U.S., tends to have a deficit. A country in recession, or with an aging population, tends to have a surplus. However, the persistence and magnitude of Chinese and German surpluses and U.S. deficits suggest actual policy decisions are at work.

This comes by interfering with currency markets. As Mr. King notes, a country with a weak economy and a trade deficit would expect its currency to fall to boost exports and restrain imports. That can’t happen if exchange rates can’t move, as is the case with China and Germany, though for different reasons.

China was the largest of a group of countries that from 2003 to 2013 spent more than \$5 trillion intervening

Structurally Unbalanced

The U.S. has run deep deficits on international trade and income since the 1980s, mirroring surpluses by first Japan, then China and Germany.



in foreign-exchange markets to hold down their currencies and bolster trade surpluses, according to a new book by Fred Bergsten and Joseph Gagnon of the Peterson Institute for International Economics. That drew

tween 2009 and 2014 as a result.

China’s behavior has changed in recent years. It has allowed its exchange rate to appreciate and since 2014 has intervened to support it, and the trade sur-

German and Chinese current-account surpluses are symptoms of damaging imbalances.

production and jobs from deficit countries like the U.S., worsening the 2007-09 recession and holding back the subsequent recovery. They estimate U.S. employment was depressed by more than one million jobs be-

plus has shrunk.

Messrs. Bergsten and Gagnon suggest a new approach to prevent China from reverting to its old ways: When a country buys dollars to hold down its currency for competitive advan-

tage, the U.S. should respond proportionately by purchasing that country’s currency. They also recommend the U.S. go beyond current law, which requires the U.S. to discourage currency manipulation in new trade pacts, by prohibiting it outright. Mr. Trump may seek just that in a renegotiated North American Free Trade Agreement. Since neither Mexico nor Canada manipulate their currencies, this would serve as a template for future pacts.

Germany is a tougher challenge. Since adopting the euro in 1999, it hasn’t controlled its own currency. However, it did win competitive advantage over its neighbors in the currency union. Labor-market reforms restrained domestic wages. In 2007, a payroll tax cut, which made German labor more competitive, was financed with an increase in the value-added tax, which exempted exports.

In previous eras, those reforms would have pushed the deutsche mark higher, squeezing Germany’s trade surplus. Inside the euro, though, the burden has fallen on Germany’s neighbors, including France, to compete by grinding down domestic wages and prices through high unemployment and fiscal austerity. That has kept the entire region’s economy weak, forcing the European Central

Bank to hold down interest rates and thus the euro. That inflates the entire region’s trade surplus with the world.

Mr. Fratzscher says the problem is not, as Mr. Trump claims, that Germany exports too much: “You can’t blame BMW for selling cars to American consumers. The problem is Germany is importing too little.”

In time that can be fixed if tight labor markets drive up German wages, bolstering domestic spending and imports. To hurry rebalancing, outsiders urge the German government to borrow and spend more, reducing domestic saving. French President Emmanuel Macron is pressing for a “fiscal union” under which Germany back-stops more of its neighbors’ obligations, effectively loosening the vise of austerity in the rest of Europe.

Neither is appealing to Ms. Merkel or austere Germans. Mr. King says the euro may have to break up into a strong currency area led by Germany and a weak currency area including France.

Until now, U.S. leaders have been too attached to the euro to point this out. By contrast, Mr. Trump, unburdened by any commitment to the status quo, can engage in “ruthless truth-telling,” as Mr. King puts it. After this past week, though, it’s doubtful Mr. Macron or Ms. Merkel will be in any mood to listen.

JBS

Continued from Page One will be paid by the holding company, which is controlled by the brothers Joesley and Wesley Batista.

J&F has said it is cooperating with authorities.

As part of a plea deal, Joesley Batista in April told prosecutors that his company bribed government officials to win favorable financing terms from state-owned development bank BNDES.

The agreement with prosecutors, which still needs to be signed by J&F and the authorities, will settle several corruption investigations, including probes focused on alleged pension fund fraud and alleged problems with meat sold by JBS.

Prosecutors had originally sought more than 11 billion reais from J&F.

The company gradually raised its offer from less than 1 billion reais.

The amount to be paid has led to speculation that the company would need to shed assets to make the payments. Some bankers have said they are already receiving calls from potential buyers of J&F assets.

J&F also owns a bank, one of Brazil’s largest dairy brands, a cleaning-products company, a paper-and-pulp company, a power plant, and Havaianas, a brand of rubber flip-flops imprinted with the Brazilian flag.

Most of the settlement, or 8 billion reais, will be paid to pension funds that invested in one of the holding company’s businesses and to the government, including a federal state bank and BNDES.

The remainder, or 2.3 billion reais, will go to social projects, in areas such as education, health and prevention of corruption, authorities said.

The payment will be adjusted by Brazil’s consumer-price index, putting the projected value to be paid by J&F overtime at about 20 billion reais, prosecutors said.

CORRECTIONS & AMPLIFICATIONS

Daniel Roderick left the chief executive position at Westinghouse Electric Co. last year, and he was stripped of his chairmanship in March 2017. A Business Watch article on Wednesday about Mr. Roderick’s compensation incorrectly said he was ousted from both roles in March.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

BLAST

Continued from Page One the country to combat the Taliban and other militant groups and to assist the Afghan military.

With the Taliban and Islamic State turning increasingly to vehicle-borne bombs, Afghan and foreign officials have been bracing for the possibility of a large assault on the city’s busy center.

Wednesday’s blast struck near the entrance of the so-called Green Zone, sending clouds of smoke billowing high above the city. The area is the diplomatic heart of the capital, and encompasses the headquarters of the U.S. military here and the U.S. Embassy compound.

An Afghan guard at the German Embassy was killed and German diplomatic staff were injured in the explosion, German Foreign Minister Sigmar Gabriel said in Berlin.

“I was in the makeup room preparing for my morning show. A huge boom shook the room and everything collapsed. It was terrible,” said Taban Ibraiz, a presenter for Afghan television network 1TV, located near the blast. “The entire studio, newsroom and offices have been destroyed.”

An employee of Roshan, a mobile phone company, said many of his colleagues were killed and wounded in the blast. “The two floors of office building collapsed completely as a result of the explosion,” he said. Then, the “office’s generators caught fire as well.”

The BBC identified its



An Afghan man at the site of a blast in Kabul. More than 300 people were injured.



driver killed in the blast as Mohammed Wazir.

The Taliban, the country’s most powerful insurgency,

were forced from power by a U.S.-led invasion in 2001. The Taliban have continued to fight against the central gov-

ernment in Kabul, and in recent years have increasingly used large bombs, including truck bombs, to target heavily civilian areas of the capital.

Since the withdrawal of thousands of foreign forces from Afghanistan in 2014, the Taliban have gained territorial control or influence in other Afghan provinces. Also, the group has increasingly targeted public sites in the capital with large bombs, including trucks packed with explosives.

Wednesday’s carnage marked the first major attack on Kabul since March, when Islamic State fighters dis-

guised as doctors broke into a military hospital and massacred scores of people. The final death toll of that assault remains unknown, but Afghan and foreign officials have said more than 100 may have been killed.

Islamic State fighters have also mounted attacks elsewhere in Afghanistan, as U.S. forces attempt to root them out in Nangarhar.

A suicide bomber blew himself up at the entrance of a television station in eastern Nangarhar province in mid-May, enabling three fellow fighters to enter the building. A gunfight ensued that left at least 10 dead, including the four attackers.

In addition to calling for the deployment of more U.S. troops in Afghanistan, the Pentagon has proposed that U.S. forces be allowed to target the Taliban directly on their own. Currently, under procedures approved during the administration of former President Barack Obama, the U.S. can strike the militant group only in joint raids with Afghan forces.

There are currently 8,500 U.S. troops in the country, along with 6,500 troops representing members of the North Atlantic Treaty Organization.

—Andrea Thomas in Berlin and Maria Abi-Habib in Beirut contributed to this article.

Protesters in India Have a Beef With Cattle Rules



ROUGH DAY: Police in Chennai removed demonstrators during a protest against the government’s ban on the sale of cattle for slaughter.

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WORLD NEWS

South Korea Military Kept Leader in Dark

By JONATHAN CHENG

SEOUL—The South Korean defense minister deliberately withheld from a report to President Moon Jae-in the fact that additional components of a controversial U.S. missile-defense system had arrived in the country, the president's office said Wednesday.

The conclusion is likely to add more fuel to a monthslong controversy over the U.S. missile system, called Terminal High-Altitude Area Defense, or Thaad, at a time when Washington and Seoul are looking for ways to respond to North Korea's growing nuclear-missile threat. It suggests that a split in national opinion in South Korea about the system reaches the top levels of government.

The U.S. on Tuesday claimed success in shooting down a mock intercontinental ballistic missile that is similar to the capabilities that North Korea is believed to be working toward.

The apparent effort to exclude South Korea's president from the planning underscores the uncertainties still swirling around the nascent Moon administration ahead of a planned summit meeting with U.S. President Donald Trump scheduled for late June in Washington. Mr. Moon still doesn't have a cabinet in place, and is relying on holdovers from his predecessor's conservative government, including the defense minister.



Moon Jae-in greets supporters after his victory was confirmed in South Korea's presidential election. He took power three weeks ago.

Yoon Young-chan, a spokesman for the presidential Blue House in Seoul, said Wednesday at a news briefing that an investigation had confirmed that the Ministry of National Defense had "intentionally dropped mention" of the additional Thaad components in a report to the president. Mr. Moon said he was "shocked" by the discovery, Mr. Yoon said.

An earlier draft of the report went into detail about the number of total Thaad launchers, but the final version that was sent to Mr. Moon omitted

that detail in favor of a vague reference to the Thaad system, Mr. Yoon said the investigation found.

Mr. Moon, the country's first left-leaning president in nearly a decade, took power three weeks ago in a snap election after campaigning in part to halt the missile battery's deployment.

As a candidate, Mr. Moon criticized the decision-making process by his predecessor, the conservative President Park Geun-hye, to deploy Thaad, which he says was conducted

in a nontransparent fashion. He said that as president he would review that process.

China strongly opposes the deployment of the missile-defense system in South Korea, calling it a threat to its national security, and is believed to have responded with cyberattacks and economic sanctions against South Korean companies. China's Ministry of Foreign Affairs expressed its concern on Wednesday, saying the system "will not be conducive to denuclearization and regional peace and stability."

The U.S. says Thaad is purely defensive, and a critical bulwark against North Korean threats. Pyongyang has conducted three missile tests since Mr. Moon was elected, most recently on Monday.

The hitherto-undisclosed arrival of the additional Thaad components is likely to strengthen perceptions among the South Korean public that the U.S. and South Korean militaries are rushing to deploy Thaad before it can be halted.

Polls show that most South Koreans support tougher mea-

sures on North Korea, though a vocal protest against the Thaad deployment has garnered attention. Meanwhile, statements from Mr. Trump and the Chinese government have raised concerns about the potential costs of proceeding with the deployment.

In March, after the National Assembly voted to remove Ms. Park, the U.S. military brought the first Thaad components into South Korea in an overnight operation.

The U.S. military moved those components onto a golf course in southern South Korea during another overnight operation, and declared the system operational one week before the May 9 presidential election.

A Thaad battery typically contains six launchers, but the original deployment in South Korea included only two.

A spokesman for South Korea's Ministry of National Defense confirmed that the four launchers had arrived, but declined to comment on the timing or say whether they were at the golf course. He didn't address the Blue House accusation that the Defense Ministry purposefully withheld information on the launchers.

A spokesman for the U.S. military in South Korea referred inquiries to the South Korean Defense Ministry. Capt. Jeff Davis, a Pentagon spokesman, said Tuesday that the Thaad deployment process had been "very transparent."

India Economic Growth Is Weakest Since 2015

By RAYMOND ZHONG

NEW DELHI—India said its economy grew 6.1% in the first quarter from a year earlier, the weakest expansion the country has reported in more than two years.

The surprise slowdown suggested that Prime Minister Narendra Modi's move late last year to void all high-value bank notes continued to choke demand, even as cash was starting to make its way back into Indians' pockets.

The latest quarter's numbers also imply India lost the mantle of fastest-growing large economy to China, whose era-defining expansion has cooled in recent years. India's neighbor across the Himalayas registered growth of 6.9% in the January-March quarter, although many economists question the accuracy of China's data.

India's growth statistics, too, have come in for scrutiny after a revision two years ago caused the official data to seem rosier at times than other measures indicate.

A broad swath of India's economy slowed at the start of the year, figures released on Wednesday showed. Manufacturing, agriculture and services

activity all decelerated sharply. Construction, a major income source to many of India's poorest citizens, shrank 3.7%.

Mr. Modi took aim at tax cheats—and courted chaos—by invalidating all of India's large-currency notes without warning in November. Left with less than 15% of the previous cash supply, families cut spending and businesses told workers to stay home.

The money clampdown may not be entirely to blame for the first quarter's loss of momentum, said T.C.A. Anant, India's chief statistician. Speaking to reporters after the announcement, he pointed out that higher commodity prices this year lifted producer inflation, damping inflation-adjusted readings of output growth.

"I would caution against reading a single number which comes out after an event as being reflective of the consequences of the event," Mr. Anant said.

Despite the recent weakness, Indian officials said gross domestic product still expanded by an estimated 7.1% for the year ended March 31. Growth the year before was revised to 8%. China's 2016 GDP growth clocked in at 6.7%.

China Holds Trump-Factory Monitor

By EVA DOU
AND TE-PING CHEN

BEIJING—A labor-rights group said it has lost contact with three undercover investigators who worked at Chinese factories making Ivanka Trump-brand shoes, and at least one of them has been detained.

New York-based China Labor Watch was investigating the factories—which also produce other U.S. brand-name items—in hopes of drawing Ms. Trump's support for better working conditions, said the group's founder, Li Qiang.

Investigator Hua Haifeng was detained on suspicion of illegal eavesdropping, his wife said, citing a call Tuesday afternoon from police in Jiangxi province. Under Chinese law, that refers to the use of listening equipment in a way that causes "serious consequences."

The status of the other two investigators was unclear, Mr. Li said, after he lost touch with them over the weekend.

A spokeswoman for the Ivanka Trump brand declined to comment. The White House, where Ms. Trump holds an advisory position, didn't respond to a request for comment. Police in Jiangxi, and in Dong-



A Huajian factory makes Ivanka Trump-brand shoes.

guan, where Mr. Hua and another missing investigator were working, didn't answer phone calls on Wednesday.

Ivanka Trump shoe-brand licensee Marc Fisher Footwear, which operates as a middleman between the brand and Chinese factories, said it had been unaware of the situation and would look into it immediately.

Mr. Li said this was the first formal detention of an investigator he could recall in the organization's 17-year history.

China Labor Watch often investigates factories supplying prominent companies such as

Apple Inc. and Samsung Electronics Co., with the aim of using the brands' star power to bring broad attention to Chinese labor conditions. Funded by donations and grants, the organization interviews workers about factory conditions and often has undercover investigators take assembly-line jobs.

U.S. President Donald Trump and his family's business interests in China and other countries have been a fraught issue because of the potential for conflicts of interest. Days after his election win in November, a Chinese court ruled for him in a decadelong

trademark dispute.

China Labor Watch said the undercover investigators worked at two shoe factories owned by **Huajian International**, one in Dongguan, a city in the southern province of Guangdong, and the other in Jiangxi.

The Guangdong-based manufacturer also supplies Calvin Klein and Nine West, according to its website. Huajian's public-relations office didn't answer phone calls Wednesday. Calvin Klein and Nine West didn't reply to emailed requests for comment.

China Labor Watch began investigating Chinese factories linked to the Trump family last summer. The group suspended the project following Mr. Trump's election to evaluate the political risks, then reopened the shoe-supplier investigation in March, Mr. Li said.

Mr. Li said he plans to send Ms. Trump video footage and other evidence of what the group calls questionable labor practices its investigators found at both factories, including longer shifts than the law allows, with workers asked to sign falsified time cards.

—Yang Jie
contributed to this article.

Vietnam Explores Its Trade Options With the U.S.

When U.S. President Donald Trump pulled out of a 12-country free-trade accord in January, it upended the plans of banker-turned-entrepreneur Rose Tran in Vietnam.

By John Lyons, Jacob
M. Schlesinger and
William Mauldin

Ms. Tran had raised \$50 million to set up a suit factory in Ho Chi Minh City, betting on the increased access to markets like the U.S. that the Trans-Pacific Partnership was supposed to bring. "We were disappointed to say the least," said Ms. Tran, who is scrambling to remake her strategy and repay her debts.

Four months later, trade experts were watching a Wednesday meeting between Mr. Trump and Vietnamese Prime Minister Nguyen Xuan Phuc for hints on how the new administration will deal with countries like Vietnam, which is counting on exports from businesses like Ms. Tran's to help it build wealth and develop its economy.

Vietnam has grown more than 6% a year for a decade by providing cheap manufacturing for companies from Nike Inc. to Samsung Electronics Co. Economists estimate the



Vietnamese manufacturing has helped the economy grow more than 6% a year for a decade. But with the scrapping of the Trans-Pacific Partnership, entrepreneurs like Rose Tran, right, are scrambling to find new markets. Above, a worker at a Ford plant.

scrapped TPP deal would have let the country export more, boosting Vietnam's economy by at least 8 percentage points—more than any other TPP partner. Vietnam also saw the deal as driving domestic overhauls, and helping offset the rise of China by anchoring the U.S. to the region.

International trade experts say that Mr. Phuc hopes to start talks to replace TPP with one of the bilateral, country-to-country deals that the Trump administration says it

prefers over multination pacts. "The Vietnamese want to find out more clearly where the U.S. is" on trade, says John Goyer, senior director for Southeast Asia for the U.S. Chamber of Commerce in Washington.

Vietnamese authorities declined to respond to questions for this article.

While Trump officials have said a bilateral trade deal with Vietnam is possible, it would likely be considered only after higher-priority items such as

revising the North American Free Trade Agreement and pacts with the U.K. or Japan, according to people familiar with the process.

Some economists say even if the U.S. curbs imports from places like Vietnam, it is unlikely that much manufacturing will shift back to higher-cost American factories.

And engaging with Vietnam on trade could carry security benefits for the U.S., foreign-policy experts say. Both nations are skeptical about the

rise of China, which has fought multiple wars with neighboring Vietnam. Vietnam's ties with the U.S.—long chilly following the Vietnam War—have warmed. Last year, the U.S. lifted a ban on selling lethal weapons to Vietnam.

More recently, Vietnamese diplomats urged other Southeast Asian nations to perform joint military exercises with the U.S. despite China's objections, according to diplomatic officials in the region.

"The Vietnamese, of all the



Asian countries, are the most worried about Chinese influence," says Ernie Bower, president of the Bower Group, an Asia Pacific think tank.

Signing trade deals with other countries is an important part of Vietnam's strategy to limit its reliance on China, trade experts say. China is pushing a separate Regional Comprehensive Economic Partnership trade deal with the U.S., while doling out loans and infrastructure projects around the region.

Vietnam is in the final stages of a trade accord with the European Union. TPP nations are also considering a deal without the U.S.

At her factory, Ms. Tran is figuring out a new export strategy post-TPP. To qualify for local content rules under TPP, Ms. Tran imported expensive fabric-making machines from Europe. She hired an Italian expert to manage them and found him a translator.

That anticipated advantage is gone, but Ms. Tran still hopes the equipment will help her snag contracts with higher quality customers. So far it is working, and LPTEX is producing suits for several brands in Europe.

—Vu Trong Khanh
contributed to this article.

WORLD NEWS

NBA Star Dodges a Turkish Crackdown

'It's crazy,' Enes Kanter says of effort to round up foes of President Erdogan

BY MARGARET COKER

ISTANBUL—Turkey is expanding efforts abroad to capture opponents by canceling their passports to force foreign governments to send them back, Turkish officials said, describing a strategy that nearly netted an NBA player in May. The efforts accelerated this spring in what one of the officials said is part of a counter-terrorism campaign focused on Turkish followers of U.S.-based cleric Fethullah Gulen, a critic of President Recep Tayyip Erdogan whose network Turkey classifies as a terrorist group. Oklahoma City Thunder center Enes Kanter told The Wall Street Journal he narrowly escaped a government attempt to force him back to Turkey after his passport was abruptly invalidated during a multination charity tour that included

stops at schools affiliated with Mr. Gulen's movement. The National Basketball Association player, a 25-year-old legal U.S. resident, has been outspoken in his support for Mr. Gulen and criticism of Mr. Erdogan. Mr. Kanter was allowed to return following the intervention of U.S. and NBA officials. "It's crazy," Mr. Kanter said. "The government is going after anyone who speaks up for democracy and against [Mr. Erdogan]." Turkey seeks Mr. Kanter's arrest on charges of glorifying terror related to his links to Mr. Gulen, one of the Turkish officials said on Friday. The official described Mr. Kanter as a dangerous individual and said governments have an obligation to hold or deport people who don't have valid travel documents. Turkish officials accuse Mr. Gulen of masterminding a failed July coup attempt and consider his religious network a grave national-security threat. Mr. Gulen and his supporters dismiss the accusations as politically motivated and he has denied any role in the coup,



Thunder's Enes Kanter dodged effort to force him back to Turkey.

saying he rejects violence. The Gulenist movement runs more than 700 schools around the world as well as businesses valued at billions of dollars, Turkish officials say. Mr. Gulen says he has no oversight of these enterprises, which are run by private individuals or foundations and licensed by local authorities. Turkey has arrested roughly 50,000 people and purged around 140,000 others

from the civil service since the coup attempt, accusing most of links to Mr. Gulen. Mr. Erdogan on Tuesday warned international allies that Turkey wouldn't release their wanted suspects or citizens from Turkish jails unless those countries sent so-called Gulenists back to Turkey. Turkey has formally requested Mr. Gulen's extradition from the U.S., where he is a legal resident, but U.S. officials

say purported evidence compiled by Ankara doesn't meet American legal standards. The U.N. Human Rights Office in Southeast Asia said it had serious concerns regarding the safety in Turkey of the men who had been deported from the region. Mr. Kanter is one of several high-profile Turkish sports stars closely tied to the Gulen movement. He broke off ties with his family last year in an attempt to keep them safe from government retribution and has taken security precautions for himself and his management team, he said. After the Thunder were eliminated from the NBA playoffs in May, he and his manager set off on a global tour. Mr. Kanter traveled on his Turkish passport to seven Asian countries without any problem. After arriving in Jakarta, Indonesia, Mr. Kanter said he traveled with private security guards as well as a police escort on May 19 to publicity events. He coached a children's basketball camp at a private school run by a Gu-

lenist foundation. Around 2 a.m., his manager got a call from a school administrator warning them that Indonesian authorities were there looking for Mr. Kanter. Indonesia's immigration spokesman, Agung Sampurno, said there was no written request from Turkey or Indonesian institutions to cancel Mr. Kanter's passport or deport him. Jakarta police said they had no information on the matter. Mr. Kanter and his manager, also a Turkish citizen, bought tickets on a 5:30 a.m. flight to Singapore. Indonesian authorities didn't question them at the airport. Around 12 hours later, upon arrival in Bucharest, authorities said his passport had been canceled. It took several hours to get Romanian and U.S. clearance to fly back to America. Five days later, after Mr. Kanter was back in the U.S., Turkish authorities confirmed there was a criminal probe against him and they had canceled his passport. —Anita Rachman in Jakarta, Indonesia, contributed to this article.

Manchester Attacker Lived Between Two Worlds

Salman Abedi straddled life in England and violence in Libya; probe still looking at how much help the suicide bomber received

MANCHESTER, England—They are known as “double shafras”—after the Arabic word for telephone SIM card. It is a reference to the young

By Hassan Morajea, Jenny Gross and Laurence Fletcher

Libyans who straddle two worlds, those of Britain and Libya's collapsing state. Salman Abedi, who killed 22 people last week when he detonated a bomb strapped to his back outside an Ariana Grande concert, was one of them. Islamist extremism, suspicions about informants and gang rivalry are rife, and Libya's struggle is a constant presence. Some are drawn back to join the fight. Abedi, who was 22 years old at the time of the attack, grew up in a community of Libyan immigrants in Manchester. When his father, Ramadan, traveled to Libya in 2011 to fight against the longtime Libyan dictator, Moammar Gadhafi, Abedi, who was then 16, went with him. Abedi's sister, Jomana, 18, said she noticed changes in her older brother in 2015. Their father had stayed in Libya, leaving her and her brothers with their mother in Manchester. Abedi became

more focused on prayers and fasting and more withdrawn, she said. "He didn't have friends or people too close to him. He would pray and come home," she said. The brutality of the front lines was a shock for some young Libyans from Manchester. But trying to reintegrate after months in Libya was often a bigger shock. "When they went there, they smelled blood and heard rattles of the Kalashnikovs," said Hisham Ben Ghalbon, a Libyan native and longtime Manchester resident who used to go to the same mosque as the Abedi family. "That level of adrenaline, they got hooked." A young man named Mohamed, one of Abedi's friends from college, said some contemporaries who returned to south Manchester after taking up arms in Libya "came back a bit crazy." "You could tell by the fights they were having on the street," said Mohamed, who wanted to use only his first name. "They weren't scared of anything—even knives, hammers." British authorities still have 11 people in custody in the U.K. in connection with the attack. Abedi's father and brother, Hashem, are be-



Manchester police are trying to determine if Salman Abedi had any links to Islamic State.

ing held in custody in Libya, Abedi's sister said. Manchester police said Tuesday they had a good understanding of what the bomb was made up and where the parts came from. Abedi made most of the purchases of the bomb's core components by himself and many of his actions were carried out alone in the four days that he was in the U.K. before the attack, according

to Manchester police. Abedi had gone to Libya most recently in mid-April. "It is vital that we make sure that he is not part of a wider network and we cannot rule this out yet," the police said. "There remain a number of things that concern us about his behavior prior to the attack and those of his associates which we need to get to the bottom of."

The British government is still working to determine if Abedi had any links with Islamic State, which claimed responsibility for the attack, a Western security official said. Officials are focused on what role other family members, and particularly his father, played in his path toward radicalization, the official said. Young people who are susceptible to extremist ide-

ology are sometimes first exposed to it at home through their families, said Hamed El-Said, professor at Manchester Metropolitan University focusing on terrorism and business. Mr. El-Said said that radicalization in Manchester, in the past few years, has happened more in person than online because young people don't want authorities to be suspicious. Salman Abedi spent his spare time with other young men from a strict Muslim background, said a former schoolmate. When the schoolmate acknowledged supporting Gadhafi, Salman became agitated, telling him: "You can't be a Muslim if you're supporting Gadhafi." One of Abedi's neighbors, Raphael Hostey, was a recruiter and fighter for Islamic State who was killed in a drone strike in Syria last year. Double shafras "spend all their time in Manchester...feeling like they don't belong here, they belong somewhere else," Mr. Ben Ghalbon said. "And when they went somewhere else, they didn't belong there either. They look different, they behave different, they speak different." —Joshua Robinson contributed to this article.

Australia's Spy Chief Defends Muslims

BY ROB TAYLOR

CANBERRA, Australia—The domestic spy chief made a rare public appearance to dismiss claims that Muslim refugees and their children are to blame for a rising number of terrorist incidents. Duncan Lewis, director-general of the Australian Security Intelligence Organization, on Wednesday rejected claims made by Pauline Hanson, a far-right senator and party leader, that Muslim refugees and their children are responsible for "terrorist attacks and problems that are happening on our streets." It was a rare intervention by Mr. Lewis. "I am not here to vilify the Islamic community, I am here to keep the Australian community safe," said Mr. Lewis, a former national security adviser and commander of the nation's elite special forces. "The refugee program is not the source of terrorism in Australia," he told national radio. Australia is generally viewed by migration experts and the United Nations as a multicultural success. More than a quarter of the population was born overseas, a result of waves of postwar migration from Europe, Asia and elsewhere. By comparison, only 13% of Americans are foreign born. Australia



Duncan Lewis rejected a far-right politician's terrorism claims.

is the world's second-most-multicultural nation, according to the Organization for Economic Cooperation and Development, and a focus on skilled migration contributed to its employment levels and social cohesion. Anti-immigrant rhetoric seemed to sweep the globe last year, with a continuing refugee crisis in Europe, the U.K.'s vote to leave the European Union, and Donald Trump's successful bid for the White House. Australia, which has had to face a slowing economy, stagnant wages, stubbornly high underemployment and the end of a mining boom, hasn't escaped that wave. Last year, a national survey found that about 20% of people saw high immigration as the social policy they liked the least. Between 1996 and 2015, the national population grew by 33% to 24 million, contributing to rapid increases in housing prices to levels among the world's highest. In July, Ms. Hanson's One Nation Party returned to Par-

liament after calling for a ban on Muslim migration. The elections left Prime Minister Malcolm Turnbull's center-right coalition clinging to power. On Wednesday in Parliament, Mr. Turnbull said moderate Muslim leaders were his government's best allies in the effort to counter self-radicalized militants drawn to Islamic State and other terror groups. On Monday, former Prime Minister Tony Abbott said Mr. Lewis shouldn't pretend "that we don't have a problem, that there isn't a strain of Islam which is doing enormous damage to the whole world." Mr. Abbott cited a dozen foiled attack plots over the past few years and a 2014 siege in central Sydney. But the spy chief said homegrown radicals worldwide were being drawn to Islamic State-style groups by a radical and violent interpretation of conservative Sunni Islam, not by their experiences as refugees.

Russia Hits ISIS in Syria

Russia launched four cruise missiles at Islamic State targets in Syria from a warship and submarine in the Mediter-

By James Marson in Moscow and Raja Abdulrahim in Beirut

ranean, the Russian Defense Ministry said. The launches hit sites to the west of Palmyra, which Russian-backed Syrian regime forces and Iranian-backed militias recaptured from Islamic State in March. Wednesday's strike destroyed all targets, which included heavy weapons and fighters that had been deployed there from Islamic State's stronghold of Raqqa, the Defense Ministry said. The ministry said U.S., Turkish and Israeli military commanders had been informed about the launches "at the appropriate time." "We are aware of the reports of Russian cruise missiles, but have no further information to provide," Col. Ryan Dillon, spokesman for the U.S.-led coalition. The Syrian regime had lost control of the ancient city of Palmyra to the extremist militants for a second time in December as its forces and allies were focused on battling anti-government rebels in the northern city of Aleppo. Since regaining control of Palmyra, Syrian forces have continued to advance eastward through the desert con-



Russia launched cruise missiles from a submarine, top, and warship.

trolled by Islamic State. The push toward the Iraqi border has put the regime and Iranian-backed forces on a collision course with U.S.-backed rebels also battling Islamic State. In May, the U.S.-led coalition launched airstrikes on those pro-regime forces as they neared the rebels in al-Tanf, near the borders with Iraq and Jordan. It was only the second time the U.S. launched a deliberate strike against the Syrian regime and came after the coali-

tion said it had warned the pro-regime forces to stop their advance. The regime has lost most territorial control in eastern Syria, maintaining a foothold in only a few large cities. As the regime has continued to rack up victories against rebels, it has turned more attention to fighting Islamic State, in part as a bid to underscore its long-held narrative that it is fighting terrorism. —Ben Kesling in Erbil, Iraq, contributed to this article.

WORLD NEWS

Italy Faces The Prospect Of Early Vote

By GIOVANNI LEGORANO

ROME—A tentative agreement by Italy's main parties on a new law that could pave the way for snap elections as soon as September is reviving the prospect of political instability in a country seen as among the weakest in the eurozone.

Matteo Renzi, the former Italian prime minister and head of the governing center-left Democratic Party, said late Tuesday that Italy's main parties have agreed on new electoral rules that would allow a snap election far sooner than the 2018 timetable many had expected.

Investors were reassured after the defeat of populist parties in the Netherlands and France. The prospect of snap elections in Italy—where an antiestablishment movement is high in the polls—in the fall is likely to unnerve markets.

Milan's FTSE MIB index ended down 2% on Monday, with banks taking a big hit, as prospects of an early election flared up, though they were calmer on Wednesday.

The new law still faces big hurdles, but even if Italians don't vote in September, there will be a drumbeat of specula-

tion that could leave investors on edge.

Since Mr. Renzi's resignation in December, Italy has been in political limbo, with a number of parties pushing for snap elections and a new government led by Prime Minister Paolo Gentiloni regarded as little more than a caretaker administration.

A major obstacle to snap elections has been the need for a new electoral law following a court ruling early this year that ordered changes to the existing rules on the grounds that parts were unconstitutional.

After months of bickering, Italy's main parties have tentatively agreed to a new model similar to Germany's, in which each party gets parliamentary seats in proportion to its electoral result, with a 5% threshold needed to enter the legislature. Currently, an absolute majority is assigned in the lower house to the party that wins at least 40% of the vote in general elections.

Parliamentary elections are currently due before May 2018. Mr. Renzi said the new electoral law could win parliamentary approval by early July, which would allow for Parliament to be dissolved and



Former Prime Minister Renzi, shown in mid-May, announced a tentative accord by Italy's main parties on a new law that could lead to elections.

new election to be held between 45 and 70 days later.

But if the new rules are approved, some doubt that President Sergio Mattarella, who has the power to dissolve Parliament, would allow for autumn elections. Political analysts give the prospect about a 50% chance.

The main obstacle is the budget approval process, which consumes much of the final months of each year, a major reason Italy has never held parliamentary elections

in the autumn.

"It will be very complicated to approve the budget law and have elections in the middle of the process," said Roberto D'Alimonte, professor of political science at Rome's Luiss University. "Very complicated."

When Italians finally do go to vote, the fragmentation of Italy's electorate in recent years could produce a hung Parliament, reigniting fears that political instability will paralyze a country that has

yet to come to grips with its deep economic problems.

The anti-establishment 5 Star Movement—one of Europe's biggest populist parties—is running neck-and-neck with the Democratic Party at around 30% of the votes, according to public-opinion polls. Other large parties, such as Silvio Berlusconi's Forza Italia and anti-immigrant and euroskeptic Northern League have about 13% support.

If the Democratic Party were to garner the most votes

and be tasked with the formation of a new government, Mr. Renzi would likely draft the support of Mr. Berlusconi to create an unwieldy left-right coalition.

Alternatively, if the 5 Star Movement—which pledges to call a referendum on Italy's membership of the eurozone if it comes to power—got most of the votes, it may try to form a minority government with external support of the Northern League, politicians and academics say.

EU Weighs Steps to Firm Eurozone

By LAURENCE NORMAN

BRUSSELS—The eurozone may need to set up a common budget, treasury and borrowing capacity to secure its stability, requiring politically-sensitive steps, the European Union's executive arm said Wednesday.

In a report on the future of the eurozone, the European Commission outlined a two-stage process that by 2025 could include a greater pooling of resources and eventually lead to a full-fledged eurozone budget overseen by a common treasury.

The ideas come as new French President Emmanuel Macron is seeking to prod the German government into advancing some longstanding ideas for deepening the bloc's economic and monetary union.

Berlin and other capitals have responded that some ideas for integrating the eurozone are possible over time but France must first implement politically challenging structural reforms.

"Responsibility and solidarity, risk reduction and risk-sharing will have to go hand in hand," the new paper said.

The commission outlined several modest steps to strengthen the eurozone over the next two years. They include reducing nonperforming loans, establishing a common backstop for winding-down banks and deepening the capi-



French President Macron, left, is prodding German Chancellor Merkel, center, to deepen the union.

tal-markets union.

A second, more ambitious set of proposed reforms would run from 2019 to 2025. These could require changes to EU treaties, often a time-consuming and politically risky approach, or the easier route of specific intergovernmental agreements.

The commission avoided setting out a specific blueprint for future changes and instead laid out options that governments could choose from.

They include setting up a eurozone treasury, with a dedicated EU finance minister.

The official would oversee economic and fiscal policy and manage a stabilization fund aimed at cushioning economies during downturns. The office would also manage funds to help governments handle jumps in unemployment or help maintain key infrastructure investment during an economic shock.

Those funds could evolve over time into a fully-fledged eurozone budget, with borrowing capacity and permanent transfers among member states. That "may rather be a longer-term goal," the commission said.

The paper also raised the prospect of a European Monetary Fund that could pool liquidity assistance and broaden the eurozone's current bailout fund.

The commission also suggested the development of a security dubbed a European Safe Asset, which could be funded either by eurozone governments or issued privately.

The investment would allow European banks to diversify their balance sheets away from national government bonds toward pan-eurozone debt.

Inflation Slows In the Eurozone

By PAUL HANNON

The eurozone's annual rate of inflation fell more sharply than expected in May despite a drop in the jobless rate to a seven-year low, a combination that is likely to reinforce the European Central Bank's reluctance to quickly unwind its stimulus programs.

A surge in inflation earlier this year brought with it more forceful calls from Germany and the Netherlands for an end to negative interest rates and massive bond purchases.

ECB policy makers responded by expressing doubts about the sustainability of that higher inflation. They believe that consumer prices will rise steadily only if the gap between what the eurozone economy can produce and what it is producing is much narrower than it is now. The most obvious example of that slack is the eurozone's very high unemployment rate, which is more than double its U.S. equivalent.

Figures released Wednesday appear to justify their caution. The European Union's statistics agency said consumer prices were 1.4% higher in May than a year earlier, a decline in the inflation rate from 1.9% in April, when it was in line with the ECB's target. That is the lowest infla-

tion rate recorded this year, and below the 1.5% forecast by economists.

The ECB's governing council announces its next policy decision on June 8. Speaking to EU lawmakers Monday, ECB President Mario Draghi strongly signaled that there will be no change in policy.

Inflation rates have been volatile over recent months, partly a reflection of the timing of Easter, which raises prices of vacation services including air travel. Energy prices have also contributed to those big swings.

Instead of responding to the headline measure, the ECB has been placing greater emphasis on what it calls "underlying inflation," which is close to the measure of core inflation that excludes energy and food, prices for which are determined at a global level rather than by changes in eurozone demand. The core measure of inflation fell to 0.9% in May from 1.2% in April.

The ECB has identified wages as a key factor in determining when it will be comfortable with easing its stimulus measures. Falling joblessness should help raise wages. Eurostat said the number of workers without jobs fell by 233,000 in April, leaving the jobless rate at 9.3%, the lowest since March 2009.

WORLD WATCH

RUSSIA

Court Upholds Libel Suit Against Navalny

A Moscow court on Wednesday ruled in favor of multimillionaire Alisher Usmanov in his libel suit against Russian opposition leader Alexei Navalny.

Mr. Usmanov, estimated to be worth \$15 billion, has sued Mr. Navalny over his investigation into Prime Minister Dmitry Medvedev's alleged secret wealth.

The judge at Moscow's Lyubinsky district court on Wednesday ordered Mr. Navalny to remove his YouTube documentary about Mr. Medvedev's alleged wealth from the web and publish a retraction. The video got nearly 22 million views since it was released in March and became one of the most-viewed Russian-language videos this year.

Mr. Navalny vowed to appeal the ruling and said he would refuse to comply with it.

Mr. Navalny, who made his name with a blog exposing official corruption, has published legal documents showing that Mr. Us-

manov, along with several other Russian billionaires, transferred lucrative assets to a charity foundation run by Mr. Medvedev's former classmate. Mr. Medvedev has denied any connection to the property while Mr. Usmanov has insisted that the transfer of the ownership of a luxurious mansion to the charity foundation was a bona fide business deal.

—Associated Press

CHINA

Factory Activity Holds Steady in May

A gauge of manufacturing activity in China held steady in May as the property market remained buoyant, signaling stronger-than-expected economic momentum in the second quarter.

China's official manufacturing purchasing managers index was 51.2 in May, unchanged from April, according to the China Federation of Logistics and Purchasing, which releases the data with the National Bureau of Statistics. The May reading released Wednesday beat a me-



FAR FROM HOME: A visitor watches a giant panda eating in its enclosure at the Ouwehand Zoo in Rhenen, the Netherlands. China donated two giant pandas to the zoo.

dian of 51.0 forecast by economists polled by The Wall Street Journal.

The index, closely watched as a gauge of business sentiment, has remained above the 50 mark that separates expansion from

contraction for 10 consecutive months. May subindexes were mixed, with export activity slightly up, new orders holding steady and production edging down from April levels.

Economists said the May

manufacturing PMI points to an economy slowing less rapidly than expected. "The first quarter was the peak, and April declined only slightly," said Mizuho Securities Asia Ltd. economist Jiang Guang Shen, who expects China's

growth to weaken significantly in the second half of the year.

Beijing's strategy in recent months of imposing strict administrative restrictions on property sales in China's largest cities while trying to encourage sales in smaller, overbuilt cities is paying early dividends, economists said, allowing the economy to weaken at a gradual pace.

—Mark Magnier

SRI LANKA

Storm Death Toll Rises Above 200

The death toll from mudslides and floods in Sri Lanka has climbed past 200, with 96 others missing, the government said Wednesday.

The Disaster Management Center said 203 people were confirmed dead. More than 77,000 have been displaced and over 1,500 homes destroyed since rains began inundating the southern and western areas of the Indian Ocean island nation last Friday.

—Associated Press

U.S. NEWS

Trump Confronts Some New Challenges

As his lawyer is drawn into Russia probe and a staffer exits, decisions on FBI and climate loom

By MICHAEL C. BENDER
AND ELI STOKOLS

WASHINGTON—President Donald Trump, returning from his first overseas trip, is facing a new set of realities in Washington that have beset his White House.

He learned his personal attorney is now being drawn into the congressional probes of his team's ties to Russia, he announced the resignation of his communications chief, and he interviewed new candidates for FBI director—three weeks after he abruptly fired the last one.

As Mr. Trump seeks to stabilize his White House, he used a series of Tuesday morning Twitter posts to call attention to policy issues. In one, he urged Senate Majority Leader Mitch McConnell to hasten passage of health-care and tax legislation. And in the White House, he continued his deliberations about whether the U.S. should exit from a multinational climate accord forged in Paris.

Legislative successes or an announcement on the Paris accord could provide Mr. Trump with some relief from daily headlines dominated by the expanding investigation by special counsel Robert Mueller and Congress into Russia's alleged attempts to interfere in the 2016 presidential campaign and any links Moscow

had to Trump aides.

That examination has now moved into the president's inner circle, as meetings between Russian officials and Mr. Trump's son-in-law and chief adviser, Jared Kushner, are under review.

Mr. Kushner's attorney has said that his client will cooperate with any probe and that he hasn't been contacted by the Federal Bureau of Investigation. During the transition period, Mr. Kushner met with the head of a state-run Russian bank that has faced U.S. sanctions. He also met with Sergei Kislyak, the Russian ambassador to the U.S. Mr. Kushner also considered creating a direct line to talk to the Russians, according to a person familiar with his actions.

Mr. Trump's former national security adviser, Mike Flynn, also agreed Tuesday to turn over documents from his businesses to the Senate Intelligence Committee, according to a person familiar with his decision. Mr. Flynn was forced to resign early in the administration after lying to top White House officials, about his conversations with Mr. Kislyak.

Congressional investigators on Tuesday also asked Mr. Trump's longtime attorney, Michael Cohen, to hand over documents and participate in a sit-down interview. The request signaled that the investigation on Capitol Hill is widening to include people in the inner circle of the president's business empire.

Mr. Cohen said in an interview that he would "respectfully decline" the requests from

both the House and Senate intelligence panels.

Mr. Cohen, an attorney and executive in the Trump Organization, has been at the center of Mr. Trump's legal dealings, including involvement in negotiations for a Trump real-estate venture in Moscow that didn't materialize.

Earlier this year, a little-known Ukrainian lawmaker, Andriy Artemenko, said he tried to get his peace plan for Ukraine to the White House through Mr. Cohen and one of his relatives. Although Mr. Artemenko said he received confirmation that the plan reached the White House, Mr. Cohen said in an interview it wasn't delivered.

The probes on Capitol Hill are running parallel to the FBI investigation. The committees aim to write definitive reports about Russian interference in the election, while Mr. Mueller's investigation is focused on counterintelligence concerns and whether any laws were broken.

Mr. Trump has expressed his frustration with the coverage of the investigations, calling it "fake news." Russia has denied any interference.

For weeks, there have been rumors of a staff turnover. On Tuesday, Mike Dubke, the communications director, became the first to exit. Mr. Trump accepted Mr. Dubke's resignation before leaving on his nine-day trip abroad, a spokeswoman said. A senior official said the White House is likely to fill the position internally.

—Byron Tau and Paul Sonne contributed to this article.



John Pistole, testifying on Capitol Hill in 2013, is a candidate to lead the FBI.

New FBI Candidates Are Interviewed

WASHINGTON—President Donald Trump interviewed two new candidates for FBI director, continuing a search that began three weeks ago when he ousted James Comey as head of the agency that was probing his associates' ties to Russia.

Former Deputy FBI Director John Pistole and former Assistant Attorney General Chris Wray met with Mr. Trump on Tuesday at the White House, the administration said.

Mr. Pistole, a 26-year veteran of the Federal Bureau of Investi-

gation, served as the bureau's deputy director from 2004 through 2010. He began his career as an FBI agent in 1983 and worked in Minneapolis and New York. He helped lead the investigation and recovery efforts following the 1999 EgyptAir crash in the Atlantic Ocean.

Mr. Pistole earned a reputation in the FBI for being even-keeled and cool under pressure, and was tapped by then-President Barack Obama, a Democrat, to lead the Transportation Security Administration from 2010 to 2014.

As deputy FBI director, Mr. Pistole ran the bureau's day-to-day operations for former Director Robert Mueller,

who was tapped in mid-May to spearhead the investigations into Russia's alleged meddling in the U.S. 2016 election as a special counsel. Russian officials have denied interfering in the election, and Mr. Trump has denied any collusion.

Mr. Wray, a defense lawyer and former federal prosecutor, led the Justice Department's criminal division from 2003 through 2005.

He started his career as an assistant U.S. attorney in Atlanta before joining the Justice Department's leadership as a top aide to Deputy Attorney General Larry Thompson in 2001.

—Del Quentin Wilber and Michael C. Bender

CLIMATE

Continued from page A1

U.S. from the accord. He is also hearing from business leaders and senior aides who are urging him not to completely withdraw.

Because the Paris agreement is nonbinding, Mr. Trump has the option of lowering the emissions targets for the U.S. without withdrawing completely, which could take three years under the original agreement.

The president was scheduled to meet Wednesday with Secretary of State Rex Tillerson, who has advocated remaining in the deal. A day earlier, Mr. Trump met with one of his administration's leading voices for complete withdrawal, Environmental Protection Agency Administrator Scott Pruitt.

Mr. Pruitt and Mr. Trump have both expressed deep skepticism about the role of human activity as a leading factor in climate change.

Dozens of Fortune 500 companies have lobbied the administration to remain in the agreement, expressing their collective support in a public advertising campaign and privately in smaller meetings and phone calls with the president. Large companies say the accord provides a predictable and practical framework for reducing emissions and can serve to boost competitiveness and job creation while minimizing business risks from climate change.

One of Mr. Trump's closest business allies, Dow Chemical Co. Chief Executive Andrew Liveris, has been seeking an Oval Office meeting this week to make his case, a person familiar with the matter said.

Following Wednesday morning's reports that a withdrawal might be imminent, Apple Inc. Chief Tim Cook and Tesla Inc. CEO Elon Musk were among the business leaders placing phone calls to the White House in a last-minute effort to per-



U.S. carbon emissions are expected to continue falling as cheaper natural gas replaces coal to generate electricity.

suade the president to reconsider, according to people familiar with the calls.

While larger energy companies such as Exxon Mobil Corp. and Royal Dutch Shell PLC support the U.S.'s commitment to the Paris accord, other fossil-fuel companies, especially those with fewer investments in clean-energy technologies, have been pushing hard for complete withdrawal.

Despite Exxon's support for the Paris pact, the company's shareholders Wednesday voted to demand more transparency from the company about the impact of climate change on its business. It's a further signal that major investors continue to have significant concerns about the risks of rising temperatures on the value of corporations. BlackRock Inc.

and Vanguard Group, the company's two largest shareholders, had signaled last week that they were likely to support the push for more transparency.

At last week's summit of the Group of Seven leading nations in Sicily, European leaders also focused their conversations with Mr. Trump on persuading him of the importance of America's leadership when it comes to combating climate change and the economic opportunities that can be derived from the advancement of new energy technologies.

U.S. carbon emissions are likely to continue falling regardless of any political change of course, mainly for market reasons that have made it cheaper to use natural gas to generate electricity

instead of coal. Because of this switch, as well as greater efficiency throughout the U.S. economy, energy-related carbon-dioxide emissions fell last year to the lowest level since 1992, according to the U.S. Energy Information Administration.

Even if the U.S. withdraws and eschews any further emissions-reductions policies, a number of states will continue with regulations that are likely to be influential. California, for example, has a cap-and-trade law that seeks to reduce greenhouse-gas emissions. It took effect in 2012. It is also implementing a number of laws targeting vehicle efficiency and crude-extraction methods that emit high amounts of carbon.

Still, environmentalists

warn that an unraveling of the Paris accord, intended to slow the rise of the average atmospheric temperature before it passes a dangerous threshold considered by scientists to mark an irreversible point of climate change, is likely to have a permanent and profound impact on human life on Earth.

And foreign leaders have pointed to the buy-in from close to 200 countries as evidence of the shift in global thinking on the issue. "The importance of climate change has really risen above where it was 20-25 years and is now seen by many countries as an issue as important as international trade," said Andrew Light, a former senior climate-change official in the Obama administration.

WASHINGTON WIRE

CONGRESS

Pessimism Over GOP Health-Care Push

Five months into the effort by President Donald Trump and GOP lawmakers to make good on their promise to repeal and replace Obamacare, Americans are pessimistic about how the House Republicans' plan would affect their personal well-being, according to a poll out Wednesday from the nonpartisan Kaiser Family Foundation.

Of those polled, 45% believe their costs would rise under the Republican health plan, compared with 28% who said the same in December of the expected plan.

The GOP's American Health Care Act, or AHCA, which the House narrowly passed in May, would roll back the Affordable Care Act's Medicaid expansion and restructure premium tax credits so they vary with age rather than income. The bill, which also waters down some of the ACA's protections for people with pre-existing conditions, would result in an additional 23 million Americans not having health insurance, according to a Congressional Budget Office estimate.

Overall, just 31% of people approved of the House Republican health plan—making it considerably less popular than the ACA, which nearly half of Americans now support.

—Michelle Hackman

HOMELAND SECURITY

Officials Discuss Laptop Ban on Flights

The U.S. held another round of high-level talks with European Union counterparts on possibly banning laptop computers from cabins on all international flights.

Homeland Security Secretary John Kelly on Tuesday called European transport commissioner Violeta Bulc and home affairs commissioner Dimitris Avramopoulos as part of talks with the EU about security concerns that would merit such a measure, representatives for both sides said.

"While a much-discussed expansion of the ban on large electronic devices in the cabin on flights to the United States was not announced today, the secretary made it clear that an expansion is still on the table," Department of Homeland Security press secretary David Lapan said.

A spokeswoman for the commission said that both sides "decided to intensify talks" and stressed that no decision had been yet taken by the U.S.

—Valentina Pop

Killings Spur Call to Halt Portland Rallies

By ZUSHA ELINSON

Days after the killings of two men in Portland, Ore., as they tried to defend women from a man shouting racial and anti-Muslim slurs, the Portland mayor is pressing to halt two rallies planned in the city.

Portland Mayor Ted Wheeler is calling on the federal government to cancel a "Trump Free Speech Rally" on Saturday and a June 10 "March Against Sharia," a ref-

erence to Islamic Shariah law. "Our City is in mourning, our community's anger is real, and the timing and subject of these events can only exacerbate an already difficult situation," Mr. Wheeler said in statement on his Facebook page.

The rallies are scheduled to take place at a Portland plaza where the federal government controls permitting, according to the mayor.

The American Civil Liberties Union responded sharply

to the mayor's call. "The government cannot revoke or deny a permit based on the viewpoint of the demonstrators. Period," the ACLU of Oregon said in a tweet.

A spokesman for the Northwest division of the General Services Administration, which handles permitting for the plaza next to the Edith Green-Wendell Wyatt Federal Building, declined to comment.

Organizers of the rallies either didn't respond to re-

quests to comment or couldn't be reached.

Jeremy Joseph Christian, 35 years old, is accused of stabbing to death two men who intervened as he yelled racial and religious slurs at two young women on a commuter train in Portland on Friday. He injured a third man who is expected to recover.

The victims had stepped in to stop Mr. Christian, who was yelling "antireligious and anti-minority" slurs at two young women, one wearing a hijab, as

well as others, said Sgt. Pete Simpson, a spokesman for the Portland Police Department.

Ricky John Best, 53, died at the scene, and Taliesin Myrdin Namkai-Meche, 23, died at the hospital, while 21-year-old Micah David-Cole Fletcher was injured, police said.

Mr. Christian is being charged with two counts of aggravated murder, attempted murder, a felon in possession of a restricted weapon and two counts of intimidation, Sgt. Simpson said.

IN DEPTH

FLYNN

Continued from Page One
government until March that his company was paid to represent Turkish interests. He is now facing military, congressional and criminal investigations into allegations that he improperly concealed his financial ties to Turkey and Russia, and into whether the ties played any role in his decisions as the president's adviser.

Along with the money from the Turkish businessman, Mr. Flynn received \$33,750 from a Russian state news network to travel to Moscow in 2015, sit next to President Vladimir Putin at a gala and give a public interview on U.S. foreign policy.

A federal grand jury in Virginia recently issued subpoenas to people who worked for the Flynn Intel Group. Last week, Mr. Flynn said he would invoke his Fifth Amendment right against self-incrimination and refuse to honor a subpoena from the Senate Intelligence Committee, which is investigating allegations of Russian interference in the 2016 presidential election.

On Tuesday, Mr. Flynn said he would turn over documents from his businesses to the Senate Intelligence Committee, according to a person familiar with the matter. The Flynn Intel Group shut down in November.

Robert Kelner, the attorney for Mr. Flynn and the Flynn Intel Group declined to comment. In the past, Mr. Kelner has criticized what he called "unfounded allegations" against Mr. Flynn and said he hoped Mr. Flynn would have a fair chance to tell his story. Mr. Kian didn't respond to requests for comment.

Focus of film

Flynn Intel Group hired professionals to shoot the documentary and then worked to conceal its role in producing the film, according to David Enders, a former VICE News correspondent hired to work on the project. The Wall Street Journal reviewed footage prepared for the unfinished documentary, which was shelved last November, two days before Mr. Flynn was officially asked to become the president's national security adviser.

Mr. Enders and Rudi Bakhtiar, a former CNN anchor hired to be the on-camera face for the film, said the disclosure in March about Mr. Flynn's work as a foreign agent came as a shock.

Ms. Bakhtiar said she was misled about the true intentions of the film, which she said was focused on attacking a U.S.-based Turkish imam President Recep Tayyip Erdogan has accused of orchestrating last summer's botched military coup. She said she thought the work would produce an objective, investigatory documentary about Turkey and Fethullah Gulen, the imam.

As the documentary plans moved ahead last fall, Mr. Enders said that Mr. Kian told him he didn't want anyone to know who was behind the film about Mr. Gulen, whom Mr. Erdogan wants the U.S. to extradite to Turkey to face accusations he runs a terrorist group behind last summer's failed coup.

"Bijan said they did not want to be connected to this in any

Cast of Characters | Behind the scenes of an unfinished film



Bijan Kian



Ekim Alptekin



Ismail Hakki Pekin



Nedim Sener



Rudi Bakhtiar



Fethullah Gulen

CAROLYN KASTER/AP/FLYNN; DANIEL ACKER/BLOOMBERG/CIANT; MARK WILSON/GETTY/AP/TEKIN; XINHUA/ZUMA/PEKIN; OZAN KOSE/AP/SENER; CHARLES MOSTOLLER/REUTERS/GULEN

way," Mr. Enders said. "He said: 'We don't want anyone to know the Flynn Intel Group has anything to do with this.'" Mr. Enders said Mr. Kian didn't explain his reasons.

The project began last summer, after Mr. Erdogan quashed a poorly conceived July 15 military coup attempt. A few weeks later, Ekim Alptekin, a Turkish businessman and Erdogan defender, signed a three-month contract with the Flynn Intel Group to help Turkish interests.

Mr. Alptekin, head of a Netherlands-based consulting firm called Inovo BV, and chairman of the Turkey-U.S. Business Council, a group that promotes business between the two countries, said he wanted to use the documentary to help expose America to the dangers of Mr. Gulen.

"We were thinking of a small, '60 Minutes' kind of a thing, where these conclusions are brought to the public," Mr. Alptekin told the Journal. "We thought that might have a good effect."

Mr. Gulen, who lives in Pennsylvania, has repeatedly denied playing any role in last summer's failed coup in Turkey or that he leads a terrorist group.

U.S. officials have said several times over the past year that Turkey has yet to provide enough evidence to extradite Mr. Gulen. Washington's refusal to comply with the request remains a major point of contention between the two countries.

On Sept. 9, Mr. Alptekin's company sent the first \$200,000 to the Flynn Intel Group, according to the U.S. company's Foreign Agents Registration Act filing, the disclosure that was filed in March. Mr. Alptekin said the money for the project came from his own accounts and not the Turkish government.

Four days later, the Flynn Intel Group sent \$40,000 back to Mr. Alptekin's firm and characterized it in the filing as

a consulting fee.

Mr. Alptekin said the \$40,000 was actually a refund because the Flynn Intel Group didn't have the ability to lobby the U.S. government as planned.

"They didn't have a game plan, so they immediately wired the lobbying component of the contract back to me," Mr. Alptekin said. "So that was a reimbursement to me."

In its foreign registration filing, the Flynn Intel Group said its work was "focused on improving U.S. business organizations' confidence regarding doing business in Turkey, particularly with respect to the stability of Turkey and its suitability as a venue for investment and commercial activity."

In Washington, the Flynn Intel Group began gathering publicly available information about Mr. Gulen, with a particular focus on his network of charter schools in the U.S.

The company hired Mr. Enders, who said he was asked to track down for the documentary historic footage of Ayatollah Ruhollah Khomeini, the Iranian leader who took power in 1979 after the country's shah was overthrown. Mr. Enders, who was paid \$3,400 for his work, said he was initially told the film would be a "well-investigated documentary about Iran." Mr. Enders said it later became clear that Mr. Kian saw Mr. Gulen as a Turkish Ayatollah.

Ms. Bakhtiar, who was hired to conduct interviews on camera, and Mr. Kian were old family friends united by their Iranian heritage. Mr. Kian, a former director of the Export-Import Bank, got in touch to express sympathies with Ms. Bakhtiar in 2005, after her father died. Ms. Bakhtiar's uncle, who served as the last prime minister of Iran before the 1979 revolution, was assassinated in Paris in 1991.

Ms. Bakhtiar had worked as an anchor at CNN and a corre-

spondent at Fox News, Voice of America and Reuters, and had traveled to some of the world's toughest spots throughout her career, including Iran and Iraq.

Last fall, Ms. Bakhtiar said Mr. Kian told her he wanted to bring her in on a "very exciting" project about Turkey. At the time, Turkey was in the midst of a sweeping post-coup crackdown on dissent. Mr. Erdogan had imposed a state of emergency and had begun detaining tens of thousands of soldiers, police officers, teachers, journalists and diplomats accused of supporting Mr. Gulen.

Ms. Bakhtiar said she agreed to meet Mr. Kian at his office in Alexandria, Va. She said she didn't realize until she got there that it was the offices of the Flynn Intel Group. She said Mr. Kian told her at that meeting that the company he ran with Mr. Flynn would be funding the project.

Mr. Flynn's group was producing the documentary for a Turkish businessman.

At the time, Mr. Flynn, who had been fired as head of the Pentagon's intelligence branch in 2014, had recently rocketed to the center of the campaign news by delivering a fiery speech at the Republican National Convention, where he led the crowd in chanting "lock her up" about Mr. Trump's Democratic opponent, former Secretary of State Hillary Clinton.

"I was excited—until I realized it was Flynn Intel Group," said Ms. Bakhtiar, who agreed to work on the film anyway, in part because Mr. Kian was a family friend.

Meanwhile, lobbying firm SGR LLC, run by veteran Wash-

ington consultant Jim Courtovich, was hired to promote the film once it was made, and it developed proposals to try to place the documentary on news shows such as PBS's "Frontline," according to one consultant involved in the project.

SGR also created a Monopoly-style illustration it called "Gulenopoly." It was paid \$40,000 by the Flynn Intel Group for its work, according to the foreign registration filing.

A short time after the Alexandria meeting, Ms. Bakhtiar said Mr. Kian called her and asked her to meet him at a boutique hotel in Washington the next day to do some interviews for the film. Mr. Kian sent over a packet of background information to prepare, and all of it centered on Mr. Gulen.

The info on Mr. Gulen, said three people who saw it, was little more than a collection of information easily available on the internet, including publicly available details about his charter schools.

When Ms. Bakhtiar got to the hotel, she said she met Mr. Kian and Mr. Enders, who were waiting in a room to do the interviews. Mr. Kian gave Ms. Bakhtiar a list of questions to ask and told her the people coming didn't have much time.

Mr. Enders said Mr. Kian told him to bring the equipment in piece-by-piece so the hotel staff wouldn't know they were filming. "It was very hush-hush," Mr. Enders said. "They were like Keystone Kops."

As Ms. Bakhtiar prepared for the interviews, Mr. Kian greeted the men she would be talking to, which included Ismail Hakki Pekin, the general who once served as head of Turkey's military intelligence branch, and Nedim Sener, a well-known Turkish journalist.

The men have said they were persecuted by supporters of Mr. Gulen, who were once allies of Mr. Erdogan and held powerful

government positions.

Ms. Bakhtiar said she had little time to prepare and knew little about the Turks she was interviewing.

In his 20-minute interview, Mr. Pekin repeated a contention by top Turkish officials that Mr. Gulen was an asset of the Central Intelligence Agency, which protected the Turkish cleric from being extradited.

Mr. Pekin said that he wanted to take part in the documentary because he saw it as a chance to let as many Americans as possible know about the danger posed by Mr. Gulen.

At the end of the interview with Mr. Sener, Mr. Kian stepped in to ask a few questions of his own. But he wanted to make sure he wouldn't be filmed.

"I don't want to be on camera," Mr. Kian can be heard whispering in the video reviewed by the Journal.

"That's fine," responds Mr. Enders, who was running the camera. "You're not."

Mr. Sener told the Journal that he came to Washington because he thought it was important to raise the issue of Mr. Gulen with U.S. officials. "The Americans think of him as a supporter of moderate Islam," he said. "However, Fethullah Gulen is the plotter of the July 15 coup."

Ms. Bakhtiar, who was paid \$1,200 for the day's work on the film, said she told Mr. Kian that she wanted to go to Turkey to round out the piece. "I said: 'I want to get both sides,'" she said. "I'm a journalist. He never said 'We're going to make a documentary that's going to crush Gulen.' I never would have done it."

She said she hasn't been contacted by any officials investigating Mr. Flynn.

Publicity pledge

A few days after the filming, Mr. Alptekin wired another \$185,000 to the Flynn Intel Group. Mr. Alptekin said he shaved off \$15,000 because the company wasn't living up to its pledge to produce some good publicity.

"PR is something that you have to see," he said. "It's not something that is behind-the-scenes. It's in front of the scenes, so if there is no output, it's very clear that nothing is happening."

The next week, the Flynn Intel Group sent another \$40,000 back to Mr. Alptekin's firm and later classified it as a consulting fee. Again, Mr. Alptekin said, the money was a reimbursement, not a consulting fee.

By mid-October, work on the film had come to a halt.

On Nov. 8, Election Day, The Hill newspaper printed an op-ed by Mr. Flynn that compared Mr. Gulen to Ayatollah Khomeini and backed Turkey's demand that Mr. Gulen be extradited.

The piece included an image of the spoof Gulenopoly game.

On Nov. 14, Mr. Alptekin sent another \$145,000 to the Flynn Intel Group. The next day, two days before the president-elect named Mr. Flynn as his first national security adviser, Mr. Alptekin and the Flynn Intel Group ended their contract.

Mr. Alptekin said the three-month contract came to a natural end. "They did a great job," he said.

SPOUSE

Continued from Page One
people at my age—their parents are talking about what home to buy in Florida or Arizona or what cruise to go on."

The Ashfords' electoral equivocating began early this year. Stung by his tight loss in November, Mr. Ashford, 67 years old, planned to travel and work with a group hoping to launch streetcars in Omaha. Mrs. Ashford, 57, a health-care executive growing increasingly interested in politics, spotted an opening.

"I thought, oh, OK, if he's not going to do it, I'd like to step up," she said.

But as the weeks passed, Mr. Ashford, who had previously served in the Nebraska state legislature, began missing his old job on Capitol Hill, and itching to take on Mr. Bacon. "Both of us would like to run," she said. "We just talk through it as thoughtfully as we can."

The couple, who have been married almost 25 years, said they are consulting, but not pressuring, their children. All five family members are on a text message chain

through which they send frequent dispatches.

"We joke—and it's purely a joke—that we're going to have a family primary," Mrs. Ashford said. "Since we have three children, clearly there can't be a tie."

John Ashford said his stepmother first floated the idea to them on a family trip to Portugal in January. His hopes of taking a break campaigning for his dad, which the 37-year-old son has been doing for three decades, were quickly replaced by family deliberations over the Ashfords' electoral pros and cons.

"My dad has the [political] experience, but my stepmom has worked in health care for 25 years, she's been an executive," he said, noting that he hasn't endorsed either parent. "I will say that Christmas is going to be good for me this year," he joked. "I think I could really leverage a pretty fantastic gift at this point."

His sister, Ellie, 30, said she was initially skeptical about her stepmother's foray into politics.

"When she first told me about it, I said, 'to be honest, I don't think that's a good idea,'" she said, worried that Mrs. Ashford would be per-



Brad Ashford, with his wife, Ann Ferlic Ashford, in 2014.

ceived as trying to ride her husband's coattails. But her thoughts evolved as she increasingly believed Mrs. Ashford could successfully run as a political outsider with deep business experience, as well as a woman and mother.

"I would say Ann is the rock in our family and my dad is the dreamer—that's their dynamic," Ellie Ashford said.

The couple met in 1991, when Mrs. Ashford joined the downtown Omaha Rotary club and was assigned to be a greeter with Mr. Ashford's running partner, who set them up on a blind date. "We met for brunch on a Sunday. We ended up getting married" in 1993, Mrs. Ashford said. They also have a son, Tom, who is 19.

Politics for the Ashfords has long been a family affair, with the occasional respite from policy discussions demanded by the kids, Mrs. Ashford said.

"Sometimes when we go on family vacations they say, 'OK, now we're going to talk about the scenery instead of what is the government like in this country,'" she said.

The Ashfords' marital debate has few identical precedents on Capitol Hill, but some couples have faced similar decisions. When Rep. Jim Banks (R., Ind.) was deployed to Afghanistan while serving in the Indiana state Senate, his wife, Amanda, was elected by a caucus to serve as his replacement for the chamber's session in 2015.

Rep. Debbie Dingell (D., Mich.) in November 2014 won the seat held by her husband, Rep. John Dingell, when he retired after nearly six decades in the House.

Mrs. Dingell said people assumed she was trying to ride her husband's last name to Congress so she refused to let him attend some campaign events with her. "I didn't want to be seen with him," she said. "I needed to be Debbie Dingell and stand on my

own two feet, period."

More commonly, the first wave of women elected to Congress often took over seats vacated by their husbands' deaths. Between 1917 and 1976, roughly a third of the 95 women who served in the House or Senate were elected or appointed to succeed their late husbands.

"I haven't done that yet," Mr. Ashford quipped about his own demise. "That would make the decision so much easier."

Earlier this year, Rep. Denny Heck (D., Wash.) went to dinner at Clyde's, a Washington restaurant, with both Ashfords and Ellie to deliver his opinion.

"I weighed in very strongly," said Mr. Heck, a friend of the family. "I looked them in the eye. I said, 'Work. This. Out.'"

Mr. Ashford said the couple is leaning toward having him run and will make a final decision in the next couple of weeks.

"We said it would be an Ashford," said his son John. "We do have our dog, Sasha, and she's still in the running as well."

—Reid J. Epstein contributed to this article.

LIFE & ARTS



AMERICA'S MOST coveted workplace item? A door to slam in co-workers' faces! The Journal's Vanessa Fuhrmans reported last week that executives are tired of the egalitarian, open-floor planning craze, in which they are forced to share desk space, lunchtime aromas and even conversations with low-ranking employees, and are demanding a return to the era of private offices, where today's workplace leaders will be able to shut the door and save the company in blissful, creative silence. Or, nap.

Critics claim open floor-planning hasn't been the innovation-booster it was sold to be—all that insidious mingling instead led to distractions and low productivity, not to mention insufferable small talk about CrossFit.

The plea for private offices follows the backtracking of another modern workplace standard: remote employees.

Just recently, IBM boss Ginni Rometty blew on the corporate conch shell and called the company's thousands of remote workers back to the reef. The idea, IBM explained, is to bring all that talent together and build a collaborative workplace where innovation happens—at least until everyone gets sick of it, and demands private offices.

As someone who has worked remotely, and also at a desk, a cubicle, and, glamorously, an office with a window that looked directly into the window of the office bathroom, I see all sides here. To be honest, I'm perfectly capable of screwing around and not doing my work

JASON GAY

If Offices Go Old School, I Need Booze

A retro twist in modern workplace culture has columnist Jason Gay considering his options. And cocktails.

while sitting at home, elbow-to-elbow with my colleagues, or behind a hermetically sealed door. I have days working at home when noon rolls around, and I have to remind myself I haven't put on pants. There are also days in the office I would do anything not to put on pants.

But if we're really turning back the clock here, to the retro American office environment, where status was conferred by getting your name etched on a door, and "remote worker" was just another term for "semi-employed," we should be demanding a few more things:

1. The return of the bar cart. Seriously. We need it. If our bosses are going to summon us back to headquarters, then promptly retreat to their wood-panelled lairs, the least they can do is return the good old-fashioned bar cart. I'm too young to have been in an office for the bar-cart's boozy prime, but I've heard all the stories about how great it was to hear those little

wheels rolling around 4:30 p.m., how everyone at work got so excited, like kennel puppies at feeding time. Of course, those pleasant bar-cart stories led to other, less pleasant bar-cart stories, which were a big reason why the bar cart went away. But why not give it another try? I'm not asking for much here. A bar cart in 2017 doesn't have to be the King Cole at the St. Regis. Just a modest cart with whiskey, bourbon, vodka, gin, tequila, rum, cognac, champagne, a selection of domestic and Europeans reds and whites, vermouth, triple sec, Midori, Frangelico, bitters, and all appropriate mixers and fruits. That's it. Maybe some mixed nuts.

(If you're a CEO, think about all the gloomy emails you have to send these days, telling workers about downsizing and budget reductions and how this year's holiday party will not take place at Applebee's, but in a parking lot behind the Applebee's. Now imagine what it will be like to send out an

email about the return of the bar cart, what a hero you will be in the office... for at least a couple hours, until everyone starts talking behind your back again. Do it!)

2. Smoking. Now I know what you're thinking: Hey, man, smoking cigarettes in the office is illegal. And it is. But so is microwaving fish in the break room, and your co-workers commit that crime every day. I am old enough to have begun in journalism when it was still acceptable to smoke in the newsroom, and I have fond memories of my beloved first editor standing over my shoulder, watching me type, telling me to move this word or that word, as the end of his Camel Light continued to burn and lengthen and finally ashing on my shoulder, whereupon he would brush it away like the father figure I hoped he was. I'm not complaining. It was status in our newsroom: We counted how many times we got ashed on.

I also remember offices with smoking rooms, and how those smoking rooms became, in effect, influential secret societies, with their own rules and gossip and even marriages. Employees took up smoking just so they could hang out in the smoking room. Talk about the collaborative spirit! Yes, there are some health concerns, but those blueberry scones in the morning meeting aren't going to lengthen your life, either.

3. Weekends. Yes: it's more likely we get smoking back than our weekends back. But no harm in asking. Working stiffs of a certain age will remember what it was like to leave the office on a Friday at 5 p.m.—or, hey, a Thursday at 4 p.m.—and not think a single thought about the office or anyone inside it until returning to the desk on Monday. What a perk it was! Today there are no boundaries; technology and guilt have conspired to make the weekend a hellish extension of the work week. And many of us have accepted it. We're such suckers! Remember when people used to send emails on a Saturday that read, "Sorry for emailing on a Saturday, but..."? Now nobody does that—even though we all know the truth, that everyone hates the interruptions, including the boss, and nothing ever gets accomplished by those weekend email chains except to give everyone a throbbing case of paranoia. I'm telling you, if the American workplace will just give me the weekend, I'll never ask for an office with a door, or anything else. Well, OK: the bar cart. I would really like that.

FILM

SMASHING HOLLYWOOD'S GLASS CEILING

BY MICHAEL SALFINO
AND BEN FRITZ

WONDER WOMAN has battled genetically-engineered alien killing machines and the God of War. But now with director Patty Jenkins, she's at the center of perhaps her toughest battle to date: Hollywood's glass ceiling.

Ms. Jenkins is the director of Warner Bros.' "Wonder Woman" opening June 2, starring Israeli actress Gal Gadot. It's the first movie focused on a female superhero since 2005's "Elektra" and Ms. Jenkins is the first woman to ever direct a Hollywood superhero film.

The movie is high-stakes enough simply because it comes after Warner last year released two movies featuring its DC Comics super-heroes, "Batman v Superman" and "Suicide Squad," that performed well at the box office but were reviled by critics and fans. Its success or failure will inevitably also become part of ongoing debates in Hollywood about representations of women on screen and their inclusion behind the camera.

This is hardly surprising given that just 7% of directors of the top 250 grossing films of 2016 were women, according to a San Diego State study. That's down from 9% in 2015. The study also found that just 17% of editors, 13% of writers and

5% of cinematographers last year were women—and those are the professions where many directors typically first prove themselves. Female actors did account for 37% of major characters, up three points from 2015 and a recent high.

In the superhero genre, which currently dominates Hollywood, the numbers are far worse. A growing chorus of fans have complained that female characters aren't given the spotlight enough. "Captain Marvel," due in 2019, will be the first film from Disney's Marvel Studios to focus on a superheroine, after 20 prior ones focused on men or teams. It will be directed by the duo Anna Boden and Ryan Fleck, marking the first time Marvel has made a film with a female director.

Female directors sometimes drop out of projects due to creative differences, as happens frequently to men too, but the splits often get more attention because of the paucity of women making movies.

Marvel talked to "Selma" director Ava DuVernay about directing next year's "Black Panther, but she split due to differing visions for the movie from the studio. Ryan Coogler, director of "Creed," ultimately directed the film.

Ms. Jenkins, meanwhile, came close to directing 2013's "Thor: The Dark World" for Marvel, but she parted ways, also citing creative differences and was replaced by

Alan Taylor.

Her career is emblematic of the struggles many female filmmakers have faced in Hollywood. After directing 2003's "Monster," which won Charlize Theron an Oscar for best actress, Ms. Jenkins worked in TV, including prestige assignments like "Entourage" and "The Killing," but didn't get another feature film to the finish line until "Wonder Woman," that's nearly a 14-year gap.

She says cancelled projects and pregnancy also contributed to her absence and that she continued to work in television. "But now I'm back to my true love, movies."

No director who oversaw a Best Actress or Actor Oscar since 1999 has waited so long between films. The second- and third-longest waits for a follow-up assignment also belong to women directors. Kimberly Peirce had a nine-year gap between "Boys Don't Cry," which won Hilary Swank a gold statue, and Ms. Peirce's next film, "Stop-Loss." And British stage director Phyllida Lloyd hasn't returned to the silver screen since helping Meryl Streep win Best Actress in 2011 for "The Iron Lady."

The average gap between films for the men who have directed their leading actors to an Oscar during that stretch is under three years compared to nearly 10 years for the three women.



Gal Gadot as Wonder Woman with director Patty Jenkins on the film set.

With a budget well above \$100 million, "Wonder Woman" is the biggest live-action movie ever directed solely by a woman. Early reviews of the movie have been positive and a sequel is likely if box office returns are robust. At the moment though, 13 superhero mov-

ies are scheduled for release in the next two years and with the exception of "Wonder Woman" and "Captain Marvel," all of them feature teams or men alone and will be directed by men.

—Christopher John Farley contributed to this article.

OPINION

REVIEW & OUTLOOK

The White House Mess

White House aides are leaking that President Trump is considering a staff shakeup to stop them from leaking, and the casualty on Monday was communications director Mike Dubke. Mr. Trump certainly needs to fix his White House mess, but staff changes won't matter unless the President accepts that he is the root of the dysfunction.

Mr. Dubke's departure was rumored for weeks, though he'd been on the job for only three months. He wasn't the problem, and his replacement won't be the solution. It's impossible to run a communications operation, or a policy shop, if the top man prefers chaotic, make-it-up-as-you-go management.

Take two recent examples. In late April Mr. Trump decided after consulting with a couple of advisers that he wanted to unilaterally withdraw from Nafta. No staff preparation. No warning to Mexico or Canada.

As word spread that the announcement was imminent, other aides and business leaders swung into action to prevent it, including pleas to Prime Minister Justin Trudeau to call the President. Mr. Trump stood down, but the result was wasted political energy and economic uncertainty.

Then there was the fire drill over Mr. Trump's tax plan. The White House National Economic Council had been working to develop a plan to send to Congress, but suddenly the President announced publicly that he wanted it rolled out in days. The result was a one-pager that moved in the right policy direction but was easily attacked for its lack of details. Mr. Trump may have wanted to galvanize his team, but the drill wasted time and did little to build a Republican consensus in Congress.

This is apparently how Mr. Trump likes to govern, and he has built a White House tower of Babel in that image. Reince Priebus, his chief of staff, has too little power and must read constantly that his job is in jeopardy. Steve Bannon is supposed to be the keeper of the populist flame, but his coterie of allies leak relentlessly against economics aide Gary Cohn and national security adviser H.R. McMaster.

Son-in-law Jared Kushner is a loyal, calming influence, but the family tie means he is hard to fire and complicates relations with others in the Administration. Sean Spicer is supposed to explain what's going on to a hostile press corps when he hasn't been told the

facts, which might be contradicted by Mr. Trump in any case.

General Counsel Don McGahn has been an able judge picker but on all evidence has little influence on the President's behavior. At a minimum Mr. McGahn should have been in the room when Mr. Trump spoke privately to FBI Director James Comey in February about Michael Flynn. Mr. McGahn should be advising Mr. Trump to avoid such legal traps, and if the President is ignoring that advice Mr. McGahn should resign and tell Mr. Trump to get somebody he will heed.

On that score, it isn't reassuring that Mr. Trump is said to have retained his longtime New York lawyer, Marc Kasowitz, to handle the Russia investigation. Mr. Kasowitz is a babe in the Beltway who has a major Russian client in OJSC Sberbank. Mr. Trump needs to hire a lawyer experienced in Washington political and legal cases and then deputize him to handle everything regarding special counsel Robert Mueller and the Russian question.

The rest of Mr. Trump's White House reshuffle should be aimed at delivering on his campaign promise to pass reform legislation and spur faster growth. Either give Mr. Priebus the power to run the White House, or hire someone Mr. Trump will trust to impose order on competing factions.

Tell Mr. Bannon to stop the guerrilla warfare or get out. There are plenty of conservatives who can counter the liberal instincts of Mr. Kushner and Ivanka in White House councils, starting with Mike Pence. Why not give the Vice President more policy authority?

Mr. Trump also needs a formal policy process for debating legislative initiatives like health care and tax reform. Members of Congress tell us they have no clear idea whom to talk to with a question about specific policies. This compounds the internal confusion because Congress and other outsiders will bombard everyone on the senior staff. Lt. Gen. McMaster seems to have built this process on foreign policy, but it isn't clear Mr. Cohn has the same authority on the domestic agenda.

The larger reality is that Mr. Trump is wasting the precious asset of time. He has a shortening window for legislative achievements before the 2018 election. Presidents typically get a staff that reflects their governing style, and if Mr. Trump can't show more personal discipline, the fair conclusion will be that he likes the chaos.

Macron Confronts Putin

Perhaps there is something to rumors from Paris that Emmanuel Macron wants to reincarnate the spirit of Charles de Gaulle. On Monday the new French President hosted Vladimir Putin at the Palace of Versailles—where he then dressed down the Russian leader.

During the testy meeting, Mr. Macron denounced state-run Russian media outlets RT and Sputnik for behaving like “organizations of influence, of propaganda, and false propaganda.” Hackers stole thousands of emails from Mr. Macron's political party hours before the French Presidential runoff last month, and the Kremlin made no secret of its preference for Mr. Macron's hard-right rival, Marine Le Pen. At Versailles Mr. Macron called out the Kremlin on its barely veiled efforts to subvert democracy across the West.

Mr. Macron also warned that any chemical-weapons use by Russia's client Bashar Assad would cross his “red line.” Given Donald Trump's

willingness to take military action against the Damascus regime, the French president's warning leaves Moscow even more isolated among the great powers on Syria.

Mr. Macron's full views on Russia remain a concern, especially when it comes to Ukraine. For example, while Mr. Macron says he wants to restart peace talks, the Kremlin has for years used diplomacy to consolidate its territorial gains and press ahead when the West isn't looking.

Still, as Russia-policy-resets go, Mr. Macron's remarks on Monday mark a big improvement over the Obama Administration's gimmicks with red plastic buttons. Let's hope Mr. Macron follows up by insisting that any lifting of sanctions would be conditioned on Russian proxies withdrawing from occupied territories in Ukraine. While he's at it, France might also consider arming Kiev with defensive weapons so it can to increase the cost of Russian aggression. De Gaulle would approve.

Will tough talk on subverting democracy be followed up on Ukraine?

The American Bureaucracy's Judges

The U.S. administrative state has grown so large that it is untethered to the original concept of the separation of powers, and a court case is trying to prove it. Last week the D.C. Circuit Court of Appeals heard a case on whether administrative-law judges at the U.S. Securities and Exchange Commission are unconstitutional.

The U.S. Constitution's Appointments Clause says “[the President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint . . . Officers of the United States, whose Appointments are not herein otherwise provided for.” That's a problem for the administrative-law judges, who aren't appointed by the President or even by the presidentially appointed SEC commissioners. They are hired by the agency's career bureaucrats.

Yet these judges wield vast power and issue decisions in cases brought by the same agencies that sign their paychecks. Not surprisingly, the agencies make out pretty well. In 2013 the National Labor Relations Board, which also uses administrative-law judges, boasted that it won 88% of the time.

The legal question is whether these judges count as “officers,” who exercise significant authority and thus require presidential appointment. So let's see. In the case before the D.C. Circuit, *Lucia v. SEC*, an administrative-law judge imposed some \$300,000 in fines and banned Raymond Lucia from working as an investment adviser as punishment for a retirement plan that allegedly misled investors. Whether or not Mr. Lucia deserved that sanction, it strains credulity to argue that

such punishment isn't an exercise of significant authority.

In August a three-judge panel of the D.C. Circuit upheld the constitutionality of the SEC's law judges on grounds that their decisions are appealable. But that is true of all federal judges except the Supreme Court. Such appeals are also costly for defendants, leading many to settle rather than take their chances on an administrative judge likely to favor his agency.

The D.C. Circuit Court of Appeals tilts decidedly to the left since President Obama packed it in 2013 and looks favorably on government regulatory and prosecutorial power. But the Tenth Circuit Court of Appeals heard a similar case in December and ruled that the administrative-law judges are unconstitutional. Judge Scott Matheson wrote that the Founders would never have tolerated unaccountable officers like administrative judges.

The Appointments Clause, Judge Matheson wrote, “promotes public accountability by identifying the public officials who appoint officers. And it prevents the diffusion of that power by restricting it to specific public officials.” The Founders limited the appointment power to keep government accountable to voters.

Administrative-law judges exist at dozens of federal agencies. Their presence is a product of the ever-expanding federal bureaucracy and a guarantee of its growth, sparing agencies the more rigorous and time-consuming oversight by the federal courts. Even if the full D.C. Circuit finds these judges constitutional, this is an issue that the Supreme Court should settle.

Courts consider if administrative law judges are legal.

Defending Social Media



BUSINESS WORLD
By Holman W. Jenkins, Jr.

It often falls to CEOs, usually young ones, to lead society's adjustment to life-altering technologies. Thomas Edison didn't just invent the lightbulb and a practical electrical distribution system. He had to teach people what electricity was for, and how not to be afraid. An early failure was setting fire to Henry Vanderbilt's house, after which Mrs. Vanderbilt refused to return until Edison removed his generator.

On Mark Zuckerberg falls the onus to adjust us to the downsides of social media. In every particular, there is nothing new here. People have committed crimes for publicity before. The media have dwelled on the details to satisfy our prurience before. Consider the irony today of press accounts that lovingly recount a handful of rapes, beatings and murders staged for social media, then wring their hands over our appetite for such details.

Mr. Zuckerberg is told he must develop algorithms to protect the public from such material (or buck up the existing media monopoly on it), which in practice will mean developing algorithms to protect Facebook's brand from what some of its users choose to do with its technology.

What would be truly useful, of course, is an algorithm to identify those Facebook users likely to commit such crimes beforehand.

Travis Kalanick, the much vilified CEO of Uber, is next up the hierarchical scale of CEOs whose business involves a heavy dose of social responsibility. If not in every one of his actions, in his generally feisty and heedless demeanor, he's the chief needed by a company that offers the public a service of huge and transformative value that is opposed by a phalanx of retrograde, self-protecting vested interests and their political handmaidens.

He has been vilified for arguing with one of his drivers as an equal rather than as a small and vulnerable child, which is apparently how many in the media believe tech billionaires should be required to relate to the rest of us.

He has been vilified for a software program, Greyball, that helped protect a service of great value to passengers and drivers from entrapment by bureaucrats seeking to shut it down.

Mr. Kalanick certainly needs to adjust his persona for the conflicting demands on a CEO. He perhaps is already trading notes with Brian Chesky, the comparatively invisible head of Airbnb, which combines a similar need to be nicey-nice for the consuming public with an unrelenting readiness to fight for its right to exist.

We come now to the most explosive techno-social anxiety of the moment, though far from visible is a CEO to spank for the social consequences of that nonexistent product, the self-driving car.

Whole academic and media careers are being built on the threat it poses. The truly self-driving car may not have delivered a passenger to a destination yet, but it has delivered renewed life to a century-old, utopian proposal of a universal, taxpayer-funded basic income to support a future humanity consisting mostly of the nonemployed.

Mark Fields, recently fired chief of Ford, some have tried to turn into the lightning rod CEO we need. But perhaps we are getting ahead of ourselves. Google recently began recruiting volunteers for an experimental-vehicle program in the Phoenix area. Like other such pilot programs, Google's self-driving car will come with a Google employee to keep a hand on the wheel.

Ask Thomas Edison: Life-altering technologies come with a big dose of fear.

Such experiments are transitional, naturally, but they point to a paradox. For the elderly, the disabled, children and others for whom a self-driving car would be a godsend, it will be less of a godsend if it doesn't also come with a human to help them get in and out with their baggage.

Then there's an even more destabilizing paradox: Exactly the same technology that allows a self-driving car to find its way through the physical world will also make it unnecessary for people to move through the physical world.

The machine vision and real-time mapping that will let your car navigate to the Kwik-E-Mart will also transport you instantly to San Marco Square in Venice in all its glory. It will let you shop the aisles of a supermarket whose selection and layout are customized entirely for you. It will let you join friends for cocktails in Sydney without leaving Detroit.

But at least the self-driving Tesla in your garage will mean jobs for coal miners to keep it juiced with electricity for the trips it increasingly won't be taking.

Our social world surely will be transformed by technologies being born today, and in ways we don't grasp as well as we think we do. In the meantime, Mr. Zuckerberg might borrow an idea from Hollywood. He could just put an R rating on certain Facebook content in much the way the movie industry once used R ratings to signal to minors which films might be especially interesting to see.

Rethink Laptop Restrictions

By Alexandre de Juniac

As the U.S. Department of Homeland Security considers expanding its ban on laptops and other large portable electronic devices from the aircraft cabins of U.S.-bound international flights, it should base its decision on the best information from the best experts it has access to. One major expert source on the matter, however, isn't being fully included in the discussion: the air-transport industry.

The existing U.S. ban currently applies only to flights to the U.S. from 10 airports in the Middle East and Africa. DHS is considering whether to extend that coverage to encompass all flights to the U.S. from Europe, and possibly all flights to the U.S. from anywhere in the world. The U.K. has also implemented a ban from a similar but not identical list of countries.

Such a decision needs careful consideration. Forbidding some 300,000 passengers from carrying laptops, tablets and e-readers in their cabin baggage on the more than 2,000 international flights that arrive at U.S. airports daily will damage the global economy and impose an enormous inconvenience on air travelers.

The International Air Transport Association estimates that a laptop ban on flights to the U.S. from Europe would cost at least \$1 billion a year in lost productivity and increased delays to passengers. And that's not counting the emotional toll. Business travelers expect to be productive throughout the flight, and millions of parents traveling with young children rely on their tablets to keep their kids entertained.

An increased number of lithium-battery-powered devices in the cargo hold also poses risks to passenger safety. Putting so many devices in close proximity, away from crew members trained and equipped to manage cabin fires, risks a malfunction that could overwhelm current fire-containment capabilities.

The travel industry stands to be impacted by an expanded ban, as some companies don't permit their laptops to be checked in as baggage for reasons of corporate security and to avoid possible damage in transit. As business-class fares account for a large share of airline revenue, a small drop in business travelers would quickly make a flight unprofitable. That could result in fewer, or more expensive, flights for leisure travelers.

When it comes to devising the most efficient means of implementing a ban,

airlines and airports have the operational expertise to help governments overcome the threats they detect, and to do so with minimal disruption to travelers. Unfortunately, the level of industry consultation in this regard has been disappointing.

We don't pretend to have a silver-bullet solution, but I am confident there is a less disruptive way to mitigate the threat. To participate, the air-transport industry doesn't need access to sensitive government intelligence. But we need to understand what we're trying to prevent. Governments and the industry share a top priority of keeping flying secure. And our goal is to maximize the security benefits of any proposed measures while minimizing the negative impact on airline operations and their passengers.

This vital role that the air-transport industry can play in sharing its experience and know-how has been recognized by the United Nations. While noting that governments have a responsibility for ensuring air safety and security, U.N. Security Resolution 2309 highlights the obligations of countries to partner with industry and share information between governments, airlines and airports.

Representatives from airlines, airports, regulators and screening authorities have identified a number of measures as alternatives to expanding the ban. These include procedures for explosives trace detection and trace analysis of personal electronic devices. More behavioral-analysis officers and canine resources would also be helpful.

Governments should also give more support to the development and certification of, and investment in, advanced screening machines at airports. It's unacceptable that hundreds of airports around the world today still rely on X-ray machines—a 50-year-old technology—to locate highly sophisticated explosives and weaponry.

The security of our passengers and crew must never be compromised. We understand that the U.S. has compelling reasons to mandate countermeasures in response to a credible threat. But we urge all regulators to weigh the consequences of such measures on the passengers and their safety, the economy and the airlines and to look for ways to minimize the negative impact while keeping air travel secure.

Mr. de Juniac is the director general and CEO of the International Air Transport Association.

OPINION

America First Doesn't Mean America Alone

By **H.R. McMaster**
And **Gary D. Cohn**

President Trump just returned from nine days in the Middle East and Europe that demonstrated his America First approach to ensuring security and prosperity for our nation. America will not lead from behind. This administration will restore confidence in American leadership as we serve the American people.

America First does not mean America alone. It is a commitment to protecting and advancing our vital interests while also fostering cooperation and strengthening relationships with our allies and partners. A determination to stand up for our people and our way of life deepens our friends' respect for America.

The president is unequivocal in declaring that America's primary interest is the safety and security of our citizens. In discussions overseas, Mr. Trump encouraged others to join the U.S. in doing more to defeat the terrorist organizations that threaten peaceful nations around the world. He

We are asking a lot of our allies and partners. But in return the U.S. will once again be a true friend.

challenged leaders of more than 50 Muslim-majority countries to stand together "against the murder of innocent Muslims, the oppression of women, the persecution of Jews, and the slaughter of Christians."

A strong stand against terrorism is consistent with values common across all the world's great religions. After the president's historic remarks, leader after leader of Muslim-majority nations reaffirmed the president's message and committed to confronting the terrorism and extremism that plague all civilized societies.



Leaders of NATO in Brussels on May 25.

To answer the call and address these grave concerns, Saudi Arabia launched a new Global Center for Combating Extremist Ideology, and several Middle Eastern nations signed a memorandum of understanding to create the Terrorist Financing Targeting Center, with the mission of cutting off funds to terrorist organizations.

Ensuring American economic prosperity is also critical to our national interests. In Saudi Arabia, Mr. Trump helped facilitate \$110 billion in defense investments that will strengthen regional and American security and create American jobs. He also announced nearly \$270 billion in agreements with private-sector enterprises from the U.S., spanning the financial-services, energy, technology, mining and manufacturing industries. These efforts will enhance job creation and investment in America.

While meeting with European Union leaders in Brussels, the president reiterated his concern about our trade deficits with many European

nations. He also emphasized the importance of reciprocity in trade and commerce.

Simply put, America will treat others as they treat us. At the Group of Seven in Taormina, Sicily, where Mr. Trump further solidified his relationships with leaders of the world's largest market economies, the members came together in the official communiqué to stand firm "against all unfair trade practices" and to foster a truly level playing field.

Strong alliances and economically thriving partners are a third vital American interest. As the president stated in Brussels, the North Atlantic Treaty Organization is rooted in "the courage of our people, the strength of our resolve, and the commitments that bind us together as one." While reaffirming America's commitment to NATO and Article 5, the president challenged our allies to share equitably the responsibility for our mutual defense.

We came away with new outcomes for the first time in decades: More al-

lies are stepping up to meet their defense commitments. By asking for more buy-in, we have deepened our relationships. That is not surprising. Alliances based on mutual respect and shared responsibility are strong. And strong alliances bolster American power.

In Israel, the president affirmed that a secure, prosperous and democratic Jewish state is central to American interests in the region. The president also met with Palestinian leadership because he understands the importance of American engagement in the pursuit of a historic peace deal between Israelis and Palestinians.

We are asking a lot of our allies and partners. But in return America will once again be a true friend to our partners and the worst foe to our enemies.

The president's visit showed the power of both competing to advance interests and engaging to develop relationships and foster cooperation. We have a vital interest in taking the

lead internationally to advance American military, political and economic strength.

We engage with the world not to impose our way of life but to "secure the blessings of liberty for ourselves and our posterity." That means identifying the interests and principles that make America uncommon and advancing them in the Middle East, with our NATO allies, with the G-7 nations and beyond.

The president embarked on his first foreign trip with a clear-eyed outlook that the world is not a "global community" but an arena where nations, nongovernmental actors and businesses engage and compete for advantage. We bring to this forum unmatched military, political, economic, cultural and moral strength. Rather than deny this elemental nature of international affairs, we embrace it.

At every stop in our journey, we delivered a clear message to our friends and partners: Where our interests align, we are open to working together to solve problems and explore opportunities. We let adversaries know that we will not only take their measure, deter conflict through strength, and defend our interests and values, but also look for areas of common interest that allow us to work together.

In short, those societies that share our interests will find no friend more steadfast than the United States. Those that choose to challenge our interests will encounter the firmest resolve.

This historic trip represented a strategic shift for the United States. America First signals the restoration of American leadership and our government's traditional role overseas—to use the diplomatic, economic and military resources of the U.S. to enhance American security, promote American prosperity and extend American influence around the world.

Lt. Gen. McMaster is the White House national security adviser. Mr. Cohn is director of the National Economic Council.

A Chance to Restructure the Eurozone's Financial Architecture

By **Alberto Gallo**

Europe is back in black. France's new president, Emmanuel Macron, and Germany's Chancellor Angela Merkel are now working in tandem. The European Commission on Wednesday published a new roadmap to European integration. After eight long years, the political crisis that engulfed Europe seems to have moved elsewhere.

European leaders have a lot of work to do. The first step should be restructuring Europe's financial architecture. European firms and banks are in better shape, yet far from healthy.

If the U.S. recovered quickly from the crisis, it is also thanks to its financial system, which allowed firms and banks to deleverage quickly by openly recognizing losses in capital markets. Europe, instead, is still stuck with €1 trillion (\$1.12 trillion) in nonperforming loans, around 10% of eurozone gross domestic product.

Part of the problem is structural: Europe's financial infrastructure lacks flexibility. Firms rely largely on bank loans to borrow, and bankruptcy procedures are slow and expensive. This makes the exit from a balance-sheet recession longer and more difficult.

The risk is that Europe will go down the same path as Japan, where banks extended credit to zombie firms for decades, engulfing the economy in a slow stagnation. Europe's policy makers need to shake up its financial system and build a stronger banking and capital-markets union.

The first place to start is with fewer and stronger banks. Eurozone banks have deleveraged down to €31 trillion in assets from €35 trillion in 2008 and raised more than €250 billion in capital over the past nine years, yet still they are nearly three times the size of the eurozone economy.

The banks' business model need to be fixed. In some countries, banks have

become a petrified forest of institutions: Italy's central-bank governor, Ignazio Visco, noted on Wednesday that his country's banks lack profitability and need to cut costs—about time

Europe must give its banks and capital markets the flexibility they need to weather the next crisis.

for a country where banks still run more branches per capita than restaurants, according to OECD data.

Second, Europe needs a quicker and simpler framework for bankruptcy and debt restructuring. Bankruptcy in Europe can be two to three times more costly than in New York State, according to World Bank data. Holders of nonperforming debt in Italy need up to several years to recover what they are owed, even after

an agreement with debtors. If the cost of handling failure is steep, banks will apply an extra charge when giving out loans. This means credit will cost more even for performing firms, and entrepreneurs will think twice before taking risks.

Third, Europe needs more alternatives to banks, including bonds and securitizations. Capital markets make up only 10% of corporate funding in Europe's periphery and up to a third in the core countries, compared to 75% in the U.S.

Thus few European firms benefit directly when a central-bank stimulus lowers bond yields. It also means that in a crisis, Europeans keep most of the losses for themselves. U.S. high-yield borrowers restructured more than half of corporate-debt losses in bond markets, to a value of more than \$500 billion.

By comparison, 95% of losses in European corporate debt remain in the loan market, a large part of which still sits on the banks' books.

The other part of the problem is social and political: Europeans leaders need to accept economic failure. Keeping zombie firms or banks alive reduces growth and productivity, as recent ECB research has shown. Yet it remains a popular policy: Italy recently approved a €400 million rescue plan for loss-making Alitalia, the third one in 30 years.

A government that keeps inefficient sectors alive may preserve short-term political stability, yet will inevitably take away resources from productive industries and stifle long-term growth. After many gyrations, European leaders have a window of opportunity to strengthen public institutions as well as private financial markets. It is time to take down the petrified forest and plant the seeds for a diversified and stronger financial system.

Mr. Gallo is head of macro strategies at Algebris Investments and a portfolio manager for the Algebris Macro Credit Fund.

The Campus Mob Came for Me—and You, Professor, Could Be Next

By **Bret Weinstein**

Olympia, Wash.

I wasn't expecting to hold my biology class in a public park last week. But then the chief of our college police department told me she couldn't protect me on campus. Protestors were searching cars for an unspecified individual—likely me—and her officers had been told to stand down, against her judgment, by the college president.

Racially charged, anarchic protests have engulfed Evergreen State College, a small, public liberal-arts institution where I have taught since 2003. In a widely disseminated video of the first recent protest on May 23, an angry mob of

about 50 students disrupted my class, called me a racist and demanded that I resign.

My "racist" offense? I had challenged coercive segregation by race. Specifically, I had objected to a planned "Day of Absence" in which white people were asked to leave campus on April 12.

Day of Absence is a tradition at Evergreen. In previous years students and faculty of color organized a day on which they met off campus—a symbolic act based on the Douglas Turner Ward play in which all the black residents of a Southern town fail to show up one morning.

This year, however, the formula was reversed. "White students, staff and faculty will be invited to leave

the campus for the day's activities," the student newspaper reported, adding that the decision was reached after people of color "voiced concern over feeling as if they are unwelcome on campus, following the 2016 election."

In March I objected in an email to all staff and faculty. "There is a huge difference between a group or coalition deciding to voluntarily absent themselves from a shared space in order to highlight their vital and under-appreciated roles... and a group or coalition encouraging another group to go away," I wrote. "On a college campus, one's right to speak—or to be—must never be based on skin color."

My email was published by the student newspaper, and Day of Absence came and went almost without incident. The protest of my class emerged seemingly out of the blue more than a month later.

Evergreen has slipped into madness. You don't need the news to tell you that—the protesters' own videos will do. But those clips reveal neither the path that led to this psychosis, nor the cautionary nature of the tale for other campuses.

Evergreen is arguably the most radical college in the country—and while it does lean far to the left in a political sense, it is the school's pedagogical structure to which I refer.

Rather than placing students in many separate classes, most of our curriculum is integrated into full-time programs that may run the entire academic year. This structure allows students and professors to come to know each other very well, such that Evergreen can deliver a deep, personally tailored ed-

ucation that would be impossible elsewhere.

When it works well, it is unlike anything else. Last week's breakdown of institutional order is far from an indictment of our founder's wisdom.

Whites were asked to leave for a 'Day of Absence.' I objected. Then 50 yelling students crashed my class.

Rather, the protests resulted from a tension that has existed throughout the entire American academy for decades: The buttoned-down empirical and deductive fields, including all the hard sciences, have lived side by side with "critical theory," postmodernism and its perception-based relatives. Since the creation in 1960s and '70s of novel, justice-oriented fields, these incompatible worldviews have repelled one another.

The faculty from these opposing perspectives, like blue and red voters, rarely mix in any context where reality might have to be discussed. For decades, the uneasy separation held, with the factions enduring an unhappy marriage for the good of the (college) kids.

Things began to change at Evergreen in 2015, when the school hired a new president, George Bridges. His vision as an administrator involved reducing professorial autonomy, increasing the size of his administration and breaking apart Evergreen's full-time programs. But the faculty, which plays a central role in the col-

lege's governance, would never have agreed to these changes. So Mr. Bridges tampered with the delicate balance between the sciences and humanities by, in effect, arming the postmoderns.

The particular mechanism was arcane, but it involved an Equity Council established in 2016. The council advanced a plan that few seem to have read, even now—but that faculty were nonetheless told we must accept without discussion. It would shift the college "from a diversity agenda" to an "equity agenda" by, among other things, requiring an "equity justification" for every faculty hire.

The plan and the way it is being forced on the college are both deeply authoritarian, and the attempt to mandate equality of outcome is unwise in the extreme. Equality of outcome is a discredited concept, failing on both logical and historical grounds, as anyone knows who has studied the misery of the 20th century. It wouldn't have withstood 20 minutes of reasoned discussion.

This presented traditional independent academic minds with a choice: Accept the plan and let the intellectual descendants of Critical Race Theory dictate the bounds of permissible thought to the sciences and the rest of the college, or insist on discussing the plan's shortcomings and be branded as racists.

Most of my colleagues chose the former, and the protesters are in the process of articulating the terms. I dissented and ended up teaching in the park.

Mr. Weinstein is a biology professor at the Evergreen State College.

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Should You Beware the Air Up There?

Despite the occasional odd odor, the air quality in cabins may actually be better than you think, research shows

YOUR WORST FEARS about breathing bad air on planes are probably unfounded.

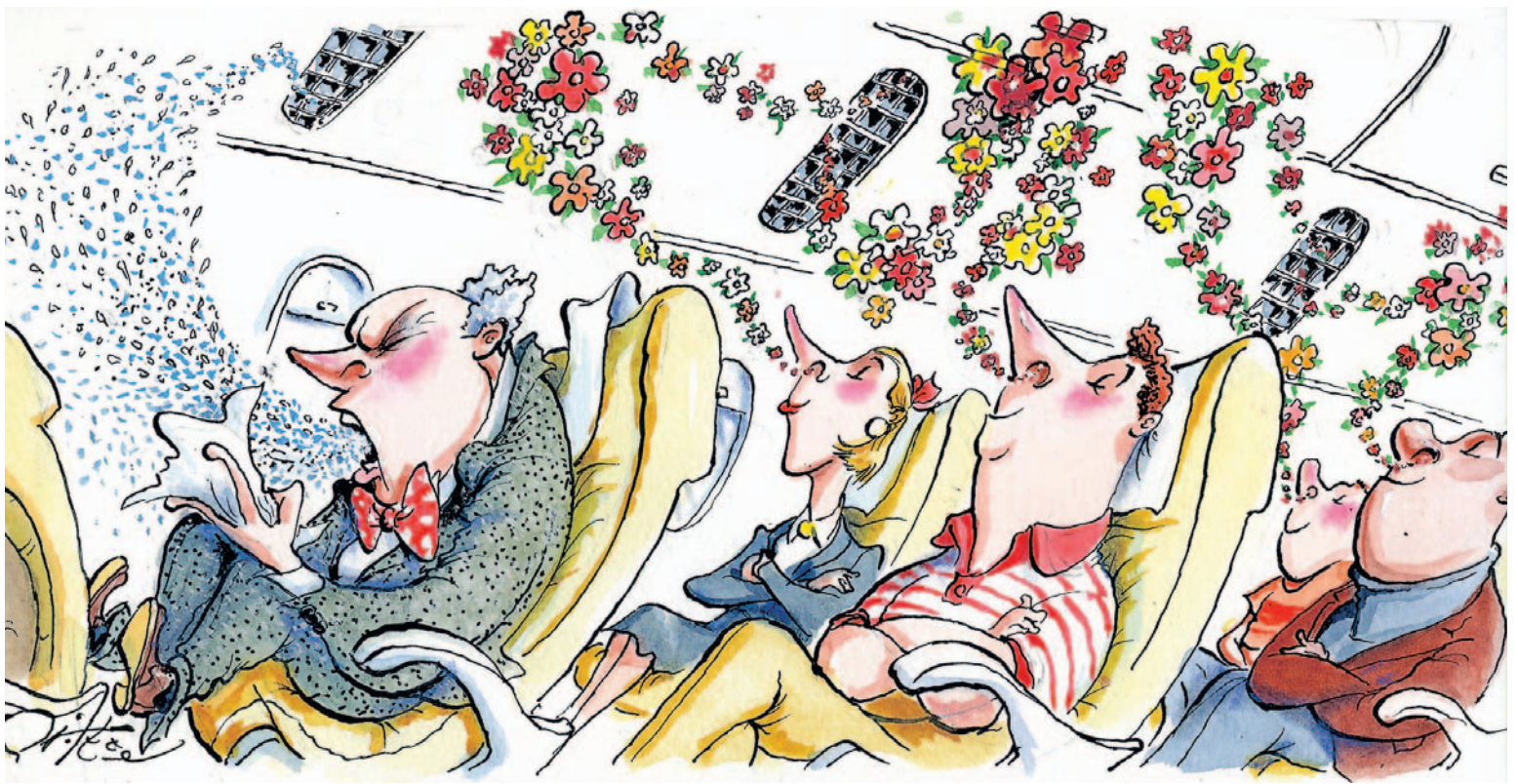
A recent European study that monitored air on 69 flights found cabin air quality was less polluted than that of office buildings, schools and residences. Contaminants that were found were “detected at levels considered not unusual for indoor air environments,” the study commissioned by the European Aviation Safety Agency said.

That’s good news for travelers, but unlikely to eliminate fears some hold, particularly in Europe, that oil fumes in airplanes are a toxic health problem.

Airlines and aircraft manufacturers have struggled for decades to eliminate contamination from “bleed air” systems that compress air just inside the engine, before that air comes in contact with burning fuel. The fresh, compressed air mixes with filtered air recirculated within the cabin. Problems, such as leaky seals or overfilling the oil in the engine during maintenance, can arise. That can lead to pumping chemicals from hot oil to passengers.

“There’s nothing between the engine and the people breathing that air,” says Judith Anderson, an industrial hygienist who works on health and safety issues for the Association of Flight Attendants. The organization has researched this issue for decades and pushed for improvements of aircrafts and airline procedures.

Still, such fume events are rare. The flight attendants union says it gets two or three reports a week out of tens of thousands of flights. The lead author on the European study, Sven Schuchardt of the Fraunhofer Institute for Toxicology and Experimental Medicine in Hannover, Germany, says research that distinguishes between minor “smell events” and more-serious “fume events” show fume events happen only a few times per one



MICHAEL WITTE

million takeoffs. Oil-related toxins “can enter the cabin more often than you think, but in amounts that are not worth mentioning,” Dr. Schuchardt says.

The study, funded by EASA, the European equivalent of the U.S. Federal Aviation Administration, measured air on 69 flights and recorded no fume events. Still, Dr. Schuchardt says in an interview that the research team calculated the maximum concentrations in a fume event and concluded there’s not enough oil in an engine to be harmful. Being behind exhaust from a stinky car or truck in traffic would be worse.

“Our opinion is: OK, it’s not nice to have a fume event, because it’s oily mist in the cabin air. But if this occurs, it’s only for a few minutes, maximum three to five minutes,

and the amount of toxic compounds is never critical. No way,” he says. “I think it’s no problem to breathe cabin air in every situation.”

The aviation world doesn’t dispute that fume events happen, but there is disagreement over whether they are harmful. In some cases, some scientists believe, exposure can cause neurological issues such as loss of memory or balance, and onset of problems is often delayed. Crew members may be more susceptible to getting sick right away, because repeated exposure weakens resistance.

Boeing, Airbus and the airline industry have long maintained that their systems are safe and onboard air is clean, as the EASA study found.

Boeing’s newest design, the 787 Dreamliner, is made without a

bleed air system, using an electric system for heating and compressing fresh air. The EASA study included eight 787 flights and found slightly lower levels of chemical vapors.

The European study detected TCP on three of its 69 flights. All three were on aircraft with bleed air systems. Crews didn’t smell anything unusual on those flights, the study said, and the levels weren’t considered high enough to be a risk.

The FAA plans to release a report later this year on research that began a number of years ago collecting air samples aboard 100 airplanes. Results have been delayed because researchers involved have changed jobs.

AFA’s Ms. Anderson thinks progress is being made, since sev-

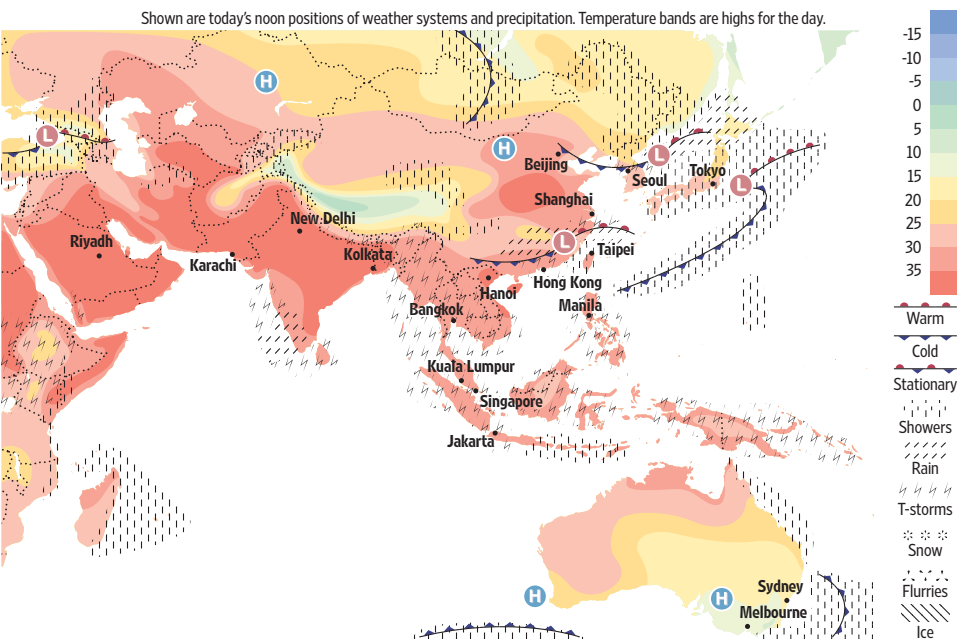
eral companies are trying to develop bleed air filters and sensors. And some airlines have taken a more active approach to prevention.

She credits Spirit Airlines with making improvements after some serious fume events several years ago. Spirit changed pilot procedures to isolate and shorten any fume events and trained crews on better recognition of problems. In addition, Spirit is working with a filtration company on some engineering solutions.

Preventing fume events can be a cost-savings measure for airlines, reducing unscheduled emergency landings, bad publicity, workers comp claims and maintenance and ground time.

“There are some changes. It’s slow,” she says.

Weather



Global Forecasts

s.:sunny; p.c.: partly cloudy; c.:cloudy; sh.:showers; t.:tstorms; r.:rain; sf.:snow flurries; sn.:snow; i.:ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	23	13	pc	26	16	pc
Anchorage	20	10	s	17	9	c
Athens	29	20	s	30	19	s
Atlanta	29	19	pc	29	20	pc
Baghdad	37	20	s	36	22	s
Baltimore	26	13	s	26	16	pc
Bangkok	34	27	pc	34	26	pc
Beijing	30	15	s	24	13	sh
Berlin	22	9	s	25	14	s
Bogota	18	10	c	19	10	c
Boise	25	12	pc	27	13	pc
Boston	24	12	pc	21	13	c
Brussels	25	14	pc	27	15	pc
Buenos Aires	15	5	s	16	9	s
Cairo	32	19	s	34	21	s
Calgary	22	10	pc	20	9	sh
Caracas	31	26	pc	31	26	pc
Charlotte	30	17	s	31	19	pc
Chicago	26	13	pc	27	17	t
Dallas	31	22	t	31	22	c
Denver	28	12	pc	28	12	c
Detroit	24	12	s	25	13	t
Dubai	41	29	s	41	29	s
Dublin	17	10	sh	17	8	sh
Edinburgh	18	11	sh	17	9	sh
Frankfurt	26	14	pc	29	17	s

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	24	14	t	26	14	pc
Hanoi	38	29	pc	39	29	pc
Havana	31	23	pc	31	22	t
Hong Kong	32	28	t	31	26	t
Honolulu	30	23	c	30	23	pc
Houston	30	23	t	31	23	t
Istanbul	25	19	pc	27	19	pc
Jakarta	31	25	c	31	24	c
Johannesburg	20	2	s	20	3	s
Kansas City	26	18	t	30	19	t
Las Vegas	35	22	s	36	24	s
Lima	22	17	pc	22	17	pc
London	24	12	pc	23	12	t
Los Angeles	24	16	pc	27	17	pc
Madrid	32	19	pc	32	18	s
Manila	33	28	t	33	28	t
Melbourne	14	6	c	14	7	s
Mexico City	23	15	t	25	15	pc
Miami	32	26	pc	31	26	sh
Milan	30	16	t	30	16	s
Minneapolis	26	15	pc	28	19	t
Montreal	31	21	pc	31	21	pc
Montreal	17	8	sh	18	9	sh
Moscow	15	5	pc	9	3	sh
Mumbai	33	29	pc	33	29	pc
Nashville	30	18	pc	31	20	pc
New Delhi	38	28	pc	40	28	pc
New Orleans	28	22	t	28	23	t
New York City	25	15	pc	26	16	pc
Omaha	27	19	t	32	20	t
Orlando	31	21	t	30	20	t

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	15	7	c	18	7	c
Paris	28	17	pc	27	16	pc
Philadelphia	25	15	s	27	19	pc
Phoenix	37	23	s	39	25	s
Pittsburgh	23	12	pc	24	14	t
Port-au-Prince	34	22	pc	34	23	pc
Portland, Ore.	22	12	c	22	11	c
Rio de Janeiro	28	20	s	24	19	sh
Riyadh	42	25	s	42	27	s
Rome	26	14	s	26	15	s
Salt Lake City	30	17	s	28	15	s
San Diego	22	17	pc	22	17	pc
San Francisco	19	11	pc	20	11	pc
San Juan	31	25	sh	31	25	sh
Santiago	18	5	s	17	6	s
Santo Domingo	31	23	t	31	23	pc
Sao Paulo	20	10	r	19	11	s
Seattle	19	12	sh	20	10	sh
Seoul	25	14	pc	25	13	pc
Shanghai	32	22	t	29	19	pc
Singapore	30	25	c	31	27	pc
Stockholm	15	4	sh	14	4	pc
Sydney	17	11	pc	18	12	pc
Taipei	35	27	c	28	23	r
Tehran	34	19	s	33	18	s
Tel Aviv	25	19	s	26	19	s
Tokyo	25	19	sh	28	18	s
Toronto	18	9	pc	20	8	pc
Vancouver	18	10	c	18	11	sh
Washington, D.C.	27	16	s	27	18	pc
Zurich	25	13	t	26	14	pc

The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12	13
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59				60					61	62	63	
64				65					66			
67				68					69			

IN A PINCH | By Adam T. Cobb

Across	26 Rap entourage	54 *Jackson Pollock's favorite dessert?
1 It means nothing	27 Expect	29 Bro
5 The "band" in "The Adventure of the Speckled Band"	32 *Spaghettified, grammatically speaking?	59 Impedimenta
10 Olympus Mons location	39 On	60 Stock
14 Like balsamic vinegar	40 Village leader	64 Where the Indus flows
15 Line of work	41 Boxer biter	65 Benefit
16 MBA prerequisite	42 *Baroque masterpiece inspired by rye and semolina?	66 "What ___ for Love" ("A Chorus Line" song)
17 Like Nobel Prize medals	45 Bob Dylan's "The Man ___"	67 Outlook button
19 Show shifter	46 Patient's portion	68 "___ say..." ("Alas...")
20 *Justice with a shredded side?	47 "The Thunderer" composer	69 Take each of the starred answers with a grain of it
22 Test setting	51 Place for mil. mail	Down
25 Digital communication method: Abbr.	53 Issuer of double-dashed IDs	1 Sudden course correction
		2 One might need massaging

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

3 Rev.'s bailiwick	31 Urgent
4 Track figures	33 Drudgery doer
5 Calypso's father	34 Many a campus visitor
6 Huckleberry Hound attribute	35 "In that case..."
7 Computational fodder	36 Lands like heavy rain
8 Prime minister between Churchill and Macmillan	37 Dunham and Headey
9 Funny Foxx	38 GPA booster
10 One way to reach the Pentagon	43 "You made that up!"
11 Base balancers	44 Tannin-rich nut
12 Yields to wanderlust	47 Big stories
13 Tedious doings	48 With a lot to lose
18 Metal in Montana's motto	49 Bolt on the track
21 Kuwait was one of its founding members	50 Valued strings
22 Rhythmically splash against	51 Suffered a humiliating defeat
23 Teeming	52 Italian prime minister Gentiloni
24 Moisten, in a way	55 Cries of discovery
28 "What business is ___ yours?"	56 Bubbly from Catalonia
29 Musician behind Beats headphones	57 Show stopper, of a sort
30 Versatile vehicles, for short	58 What you're looking at
	61 Orthodontist's org.
	62 See 1-Across
	63 Banned spray

Previous Puzzle's Solution											
RESIN	SOCHI	AGO	ALIVE	TRIAD	PRO	MANESQUEEZE	PEP	PITSTOP	ESTEE		
UNO	MODEL	TRAN	PIENDS	RID	ERBE	REB	LAIS	LOAK			
THECANEMUTINY	REA	THEM	MAC								
ALVA	AMS	REBUT	FEELNO	PANE	RTE	CABAL	EMANATE				
PAC	PLANES	SPOKEN	USO	PIKER	EVERS						
BTW	YEATS	SASSY									

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THE WALL STREET JOURNAL.
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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, June 1, 2017 | B1

Yen vs. Dollar 110.7390 ▼ 0.09% **Hang Seng** 25660.65 ▼ 0.16% **Gold** 1266.10 ▲ 0.32% **WTI crude** 48.25 ▼ 2.84% **10-Year JGB** yield 0.045% **10-Year Treasury** yield 2.211%

Yuan Jumps to a Six-Month High

By SAUMYA VAISHAMPAYAN

HONG KONG—China’s currency surged to its highest level against the U.S. dollar in six months in offshore markets Wednesday, a move some traders ascribed to Chinese central-bank intervention meant to warn investors off betting against the yuan following Moody’s downgrade of Chinese government debt last week.

The yuan rose as high as 6.7677 per U.S. dollar in the offshore market, centered in Hong Kong, its strongest intraday level since Nov. 4, according to Wind Info. That marked a gain of 0.8% from its level late Tuesday. The yuan also rose in the tightly controlled onshore market, ending 0.6% higher from its Friday close of 6.8210 to the dollar. The onshore market was

closed for national holidays on Monday and Tuesday.

A sharp rise in the cost for banks to borrow the yuan short-term in Hong Kong was a key driver of the currency’s surge, traders and analysts said. The overnight yuan borrowing rate soared to 21.08% on Wednesday from 5.35% on Monday, according to the Hong Kong-based Treasury Markets Association.

Traders said the People’s Bank of China likely intervened in the offshore market last week, with some state-owned Chinese banks refraining from lending out yuan in Hong Kong, driving borrowing costs higher. The PBOC didn’t immediately respond to a request for comment.

Speculation about such intervention swirled again



Some traders think the PBOC intervened to boost the yuan.

on Wednesday.

Alex Wolf, senior emerging-markets economist at Standard Life Investments in Hong Kong, was among those who said the Chinese central bank

was probably behind the rise in borrowing costs.

“There is really no other reason you’d have a spike in yuan-funding costs,” he said. “The only way they can really

manage the offshore rate is through squeezing liquidity, since it is more market-based.”

The cost of borrowing the yuan in Hong Kong has surged periodically over the past 18 months, each time helping to push the yuan up against the dollar. Higher short-term borrowing costs make it more expensive for investors to short, or bet on a decline in, the yuan, which often forces them to buy back yuan and sell dollars as they give up on those bets.

“We’re seeing quite a big positioning washout happening,” said Khoon Goh, head of Asia research at ANZ in Singapore.

One difference this time is that the yuan has already been appreciating against the dollar, one of many major global currencies that rose against *Please see YUAN page B2*

Female CEOs Outearn Males

By JOANN S. LUBLIN

Women in command of America’s biggest businesses are reaping rich rewards.

In an unusual reversal of the gender pay gap, female chief executives at some of the largest U.S. companies repeatedly outearn their male counterparts. Last year, 21 female CEOs received a median compensation package of \$13.8 million, compared with the \$11.6 million median for 382 male chiefs, according to a Wall Street Journal analysis of S&P 500 leaders who held the job a full year.

Women in the corner office at the biggest American firms made more money than men in six of the past seven years, though the gap has narrowed since 2014. The trend reflects strong performances by S&P 500 businesses run by women—and the fact that superstar women tend to land such top jobs, according to executive-pay and leadership experts.

“Boards don’t want to shortchange their female CEO in today’s environment, when pay equality is such an issue,” said Robin Ferracone, head of Farient Advisors LLC, which advises board compensation committees. So, they “err on the side of being generous.”

The total number of women running S&P 500 companies held steady from the previous year’s analysis at 28, including seven women who retired or held the job less than a year, and remains at roughly 5% of the total. But for the first time in the Journal study’s 28-year history, three of the 10 highest-paid executives in the overall sample are women.

They are Meg Whitman at Hewlett Packard Enterprise Co., Virginia “Ginni” Rometty at International Business Machines Corp. and Indra Nooyi at PepsiCo Inc.

Most of the 21 female leaders advanced into their roles within a company rather than getting recruited. “These women must be exceptional” because so few reach the corner office, said Heidi Hartman, president of the Institute for Women’s Policy Research.

S&P 500 businesses now run by women generated a median total shareholder return of 18.4% in 2016, compared with 15.7% for those commanded by men. Returns at female-led firms outperformed male-run companies in three of the previous five years. Total shareholder return measures changes in a company’s stock price and dividend payments.

“The board of a company with excellent shareholder returns and operational results *Please see CEO page B2*

HEARD ON THE STREET

By Jacky Wong

Evergrande Rally Looks Precarious



Shares in the world’s most-indebted property developer have tripled this

year. What gives?

Hong Kong-listed China Evergrande Group has added \$15 billion to its market value this year even after falling 8% Wednesday. Its shares gained 68% in May alone.

The rally has doubled the net worth of its chairman, Hui Ka Yan, in two months, making him China’s fourth-richest man, according to Forbes.

One possibility is that investors believe Evergrande may be changing its bad habit of piling up debt. Its net debt, including perpetual securities, rose 10-fold since 2012 and was equal to four times its equity by the end of December.

Apart from buying land and property projects, the company has splashed out money on a soccer team, a plastic-surgery hospital and cinemas, among other assets. The company said in early May that it had redeemed 50%, or around \$8.2 billion, of its expensive perpetual securities, and that it planned to redeem a further 20% this year. Paying the high 11% interest on those securities wiped out more than half of Evergrande’s net profit last year, according to Morgan Stanley.

But where is the money to repay this debt coming from? Evergrande raised 30.5 billion yuan (\$4.5 billion) by selling 13.3% of its mainland-based property subsidiary Hengda in January to eight investors. Evergrande intends to list Hengda, which accounts for almost all of its profit, in Shenzhen eventually, through a backdoor listing that will take advantage of the higher valuations given to property companies on the mainland.

Raising equity to repay costly debt might seem a good way to put Evergrande back on a healthy footing. But the company has spent \$800 million on share buybacks since March and an additional \$800 million last week to buy property projects from another developer. That is already more than one-third of the money it raised in January. And anyway, the capital raising is conditional on Hengda’s Shenzhen listing. If that doesn’t proceed before 2020, Evergrande will have to repay the eight investors, meaning its debt problem hasn’t really gone away.

Few things are ever simple in the world of Chinese property developers. In Evergrande’s case, investors should be wary of a share surge built on shaky foundations.



Five million merchants in India accept payments using Paytm, five times the number that accept credit cards, the company’s CFO says.

Mobile Wallet Paytm Hits Pay Dirt

App picks up users and merchants as Indians seek cashless payment alternatives

By CORINNE ABRAMS AND NEWLEY PURNELL

MUMBAI—India’s second-most-valuable startup, the mobile-payments app Paytm, has a new target after proving itself more popular than credit cards.

“We’re competing with cash,” said Madhur Deora, Paytm’s chief financial officer. “In India, we’re not competing with cards.”

The company’s boast isn’t a stretch, given India’s crack-down on cash over the past six months has left citizens and merchants searching for

cashless payment alternatives. Paytm has seized the opportunity and become the market leader through timely partnerships, simplifying the app’s process and dispatching an army of up to 10,000 trainers to reach out to the tiny shops that dominate the Indian economy.

The results have been impressive. Five million merchants in India accept payments using Paytm, five times the number that accept credit cards, Mr. Deora said. In addition, Paytm has 225 million mobile wallet customers, more than Snapchat’s 166 million daily active users worldwide and four times as many as rival mobile-payment competitors MobiKwik and FreeCharge, which each have 55 million users.

While Paytm is the market

leader now, challenges exist. Samsung Pay has launched in India, and the messenger service WhatsApp is exploring adding a payment option for its 200 million users in India. The government also has created a mobile-payments system, which allows users to transfer money easily between bank accounts. Plus, Paytm’s recent growth could flatten as India’s monetary system stabilizes.

Nonetheless, Paytm’s rapid rise has attracted investors. In May, the company received a \$1.4 billion investment from SoftBank Group Corp., one of the first investments by the Japanese giant’s \$100 billion Vision Fund, the world’s largest tech fund. The funding boosted the app’s valuation to more than \$7 billion and put it behind only the online retailer Flipkart, valued at \$11.6

billion in April, among startups in India.

Paytm’s previous investors included Chinese e-commerce giant Alibaba Group Holding Ltd., which shared lessons on how to deal with a billion-person market, like how to engineer an app so it can withstand an avalanche of new users. Other early backers were Intel Corp.’s Intel Capital and Taiwanese chip-design company MediaTek Inc.

The company’s success has garnered popularity for its founder Vijay Shekhar Sharma, a charismatic 38-year-old who has been building businesses since he was in college and was listed this year as India’s youngest billionaire by Forbes India magazine.

He has put a priority on flexibility and speed, even *Please see PAYTM page B2*

At Burger Joints, Pricey Fare Curbs Lunchtime Visits

By JULIE JARGON

The once-humble hamburger has gotten too fancy for its own good.

As the number of outlets serving “better” burgers—featuring nontraditional toppings and artisan buns—has skyrocketed over the past decade in the U.S., so has the average burger tab, turning some customers off.

Brian Cockerline, a 20-year-old Rutgers University student, used to go to Five Guys for a burger once a week in South Plainfield, N.J. With fries and a drink, his tab was about \$13. Now, he is cooking burgers at home instead.

“I like Five Guys but I can buy ground beef and one onion and get pretty close to the same burger for half the cost,” said Mr. Cockerline, who rarely goes to Five Guys any-

more. “A hamburger, to me, is not a luxury,” he said.

Five Guys declined to comment.

Lunch traffic to quick-serve hamburger restaurants dropped 5% last year—the biggest year-over-year decline that market-research firm NPD Group Inc. has recorded.

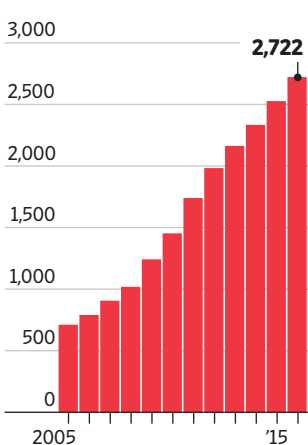
“It’s not sustainable for them to expect people to show up and spend \$13 on a burger on a consistent basis,” said Kurt Kane, chief concept and marketing officer at Wendy’s Co., which is among the fast-food burger chains engaged in an intense price war to attract and keep their core, budget-conscious customers. Wendy’s has a deal of four items for \$4.

Mr. Cockerline now mostly goes to Wendy’s when he is too busy to cook—because he can’t make a meal any cheaper

Supply and Demand

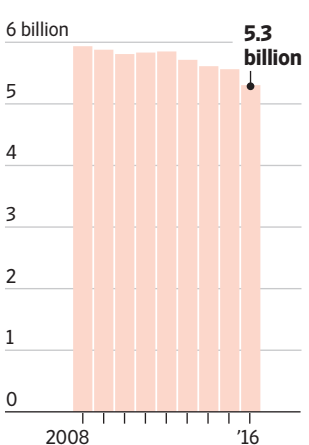
The number of fast-casual burger restaurants continues to grow, but traffic among some of those chains is dropping off.

Number of fast-casual burger restaurants over time*



*Only top 500 burger places included †Based on a demographically and geographically representative sample Sources: Technomic (number of restaurants); NPD Group (lunch traffic)

Weighted customer lunch traffic among major hamburger chains†



than \$4, he said.

The average lunch burger check—including fries and a beverage—has risen 22% since the financial crisis to \$5.83, with a 4% increase last year alone, according to NPD.

Choices used to be limited to fast-food chains such as McDonald’s Corp. and Restaurant Brands International Inc.’s Burger King, diners, or sit-down chains that served other menu items. In the 2000s, quick-serve restaurants such as Shake Shack Inc., Smashburger Master LLC and BurgerFi International LLC, specializing in making bigger burgers with fresh ingredients, began popping up.

The number of such outlets has nearly quadrupled in the U.S. since 2005 to more than 2,700, according to Res- *Please see BURGERS page B2*

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C	Kane, Kurt.....B1	Rometty, Virginia
Cheung, Eddie.....B2	Koh, D.J.....B4	"Ginni".....B1
Coury, Robert J.....B3	M	S
D	Mastagni, Aeisha.....B2	Sharma, Vijay Shekhar
Deora, Madhur.....B1	McKenzie, Paul.....B3B1
F	Moedas, Carlos.....B8	V
Ferracane, Robin.....B1	N	Vilaça, Nuno.....B8
G - H	Nooyi, Indra.....B1	W
Goh, Khoon.....B1	O'Donnell, Patrick.....B8	Whitman, Meg.....B1
		Wolf, Alex.....B1

YUAN

Continued from the prior page
the greenback in recent weeks. As of late Wednesday in Hong Kong, the Chinese currency had gained nearly 2% against the dollar during May in the offshore market.

The suspected intervention by the Chinese central bank in recent days comes after ratings firm Moody's Investors Service last week downgraded China's credit rating and warned about the country's high levels of debt.

China has shifted to targeting stability in the yuan against the dollar this year, which had already helped curb investors' expectations for how much the yuan might fall in the coming months. The likely intervention in Hong Kong markets in recent days suggests China still felt the need to deter investors overseas from viewing the Moody's downgrade as a reason to turn bearish.

"It is a bit of an overreaction, but I wouldn't necessarily put it past them," Mr. Wolf said, referring to Chinese authorities.

China's central bank has recently been guiding the yuan to stronger-than-expected levels in the onshore market, another sign that it is seeking to bolster the currency. It has also tweaked the way it calculates its daily fix for the yuan-dollar pair, adding a "countercyclical" component that lets it exert more control over the yuan's value.

Investors appear to be responding to the Chinese central bank. In a shift, those using options are now bracing for further gains in the offshore yuan over the next month.

The so-called one-month risk reversal for the dollar against the yuan turned negative on Friday, which means bearish put options on the dollar against the offshore yuan are now more expensive than bullish call options. Investors would typically buy bearish put options on the currency pair if they expect the dollar to fall against the yuan over a specific period. An options contract grants the right to buy or sell the underlying asset at a specific price by a certain time.

China has shifted to targeting stability in the yuan against the dollar this year.

That risk reversal is now at its most negative level ever, according to Thomson Reuters data going back to 2013. However, longer-dated risk reversals remain positive, suggesting investors are still bracing for yuan depreciation over the next few months.

"The bias is now shifting to one which is favoring short-term [yuan] appreciation," said Eddie Cheung, Asia currency strategist at Standard Chartered Bank.

PAYTM

Continued from the prior page
avoiding giving top executives specific job titles so they can be moved from one part of the business to another easily.

Though he has been good at getting capital and expertise out of his investors, he has kept tight control of his company, said Satish Meena, senior forecast analyst at **Forrester Research**. "He decides what direction [the company] will take," not its investors, he said.

Paytm, launched by One97 Communications in 2010, started as a mobile-recharge and bill payments service and expanded to cover everything from paying electricity bills to buying movie tickets and groceries or transferring money owed to a friend.

The company began to separate from its competitors when Uber arrived in India. As the ride-hailing company was beginning to expand in 2014,

India's central bank put restrictions on how it could accept credit-card payments. Paytm offered Uber a solution: Use the Paytm mobile wallet to get around the problem. By joining forces with Uber, the company reached a new group of tech-savvy consumers.

Paytm doesn't disclose revenue figures but has said it isn't profitable at this point, choosing to continue to invest in expansion. The company has invested close to \$600 million over the past two years to acquire new vendors, a move that has set it apart from competitors such as MobiKwik and FreeCharge, analysts said.

A big break came late last year when India canceled 86% of currency in circulation in an effort to cut corruption and bring more people into the tax net by forcing them to use less cash. The day after Prime Minister Narendra Modi made the surprise announcement, Paytm took out full-page newspaper ads congratulating him on "the boldest decision in the financial

history of independent India" Paytm representatives started giving business owners group demonstrations of their service and often as many as 100 would show up, frantic for an alternative to cash. The vast majority of Indian shops don't accept credit cards because of the costs of maintaining a swiping machine.

The company also simplified its process so the shop owners didn't even need smartphones or scanners. Shops each got their own coded sticker that they put on display, allowing customers to use their phone's camera to scan the code, plug in the amount they owe and press pay. The shop owners then get a text message confirming payment.

The company has been adding as many as 10,000 merchants a day and has a total of more than 500,000 taxi and three-wheeled auto rickshaw drivers on the platform. In addition, Paytm aims to have a half-billion users by 2020, roughly equal to the number of global users that LinkedIn has now.

Paytm plans to leverage its massive customer base by offering new services. In May, the company launched a payments bank that will allow users to move wallet cash into interest-earning accounts.

"We as a company have always been selling what we do far more aggressively than somebody else does," Mr. Sharma said at an event this week in Mumbai.

—Debiprasad Nayak contributed to this article.

BUSINESS & FINANCE

You're Getting a Master's in What?

By KELSEY GEE

To court a generation of M.B.A.-skeptics, business schools are creating narrowly tailored degree programs designed to help young professionals hone their skills for specific industries and job functions.

At Villanova University, students can earn a master's in church management. An M.B.A.

program at the University of Minnesota's Carlson School of Management is restricted to current and former congressional staffers. At Indiana University's Kelley School of Business, National Football League players can enroll in a program designed to help them transition to new careers. And starting next spring, students at New York University's Stern School of Business will embark on a one-year program in fashion and luxury-goods management.

As enrollment in general management programs across the U.S. declines, universities have augmented their graduate offerings with shorter, more specialized courses, while making the traditional M.B.A. more flexible for students with full-time jobs. Enrollment in specialized graduate business programs doubled from 2006 to 2016, according to a survey of 334 schools by the Association to Advance



Kim Corfman, academic director of NYU Stern fashion-focused program.

Collegiate Schools of Business, which oversees hundreds of such programs to ensure they meet educational standards.

"The traditional, two-year M.B.A. is a loss leader now for most business schools," said Brian Cameron, the associate dean for professional master's programs at Pennsylvania State University's Smeal College of Business. He estimates that a new course can cost the university around \$500,000 to design and implement, even for programs that run exclusively online. Specialized programs like supply-chain management and marketing analytics are now a significant source of the business school's income, he said.

"With freezes on further increases in tuition, these specialized programs are the only

mechanism that universities have to generate incremental revenue," he said. While tuition costs across graduate-degree programs have steadily increased in the past decade, some schools like Smeal have worked to hold prices steady, and others like Arizona State University's W.P. Carey School have experimented with offering their M.B.A. for free.

While the most popular specialty programs offer degrees in areas like finance, accounting and marketing, deans say the trend toward greater specialization will persist, driven by demand from young professionals for skill-based education and growing competition from for-profit online schools and computer-coding boot camps.

Andy Rudd, a 28-year-old

former product manager at New York City-based startup Dataminr, decided to enroll in the one-year technology-focused M.B.A. at Cornell University's SC Johnson College of Business this spring.

Mr. Rudd will attend classes on Cornell's new technology campus, a two-million-square-foot site on Roosevelt Island in New York City slated to open Aug. 1. His courses will cover topics such as startup finance and digital marketing, some of which are also available to students in the school's graduate programs in engineering and law.

Villanova University's business school never offered a full-time M.B.A., but strategic partnerships with the Archdiocese of New York and other cities and strong student demand have helped its master's in church management program balloon from seven students to 64 in the past four years. Tuition for the two-year program is \$28,800.

Kim Corfman, a professor of marketing and academic director of NYU Stern's new fashion-focused program, says the new degree is a good fit for the school, given classes like "Luxury Marketing" and "Next Generation Fashion" that the school already offered to M.B.A. students. At roughly \$96,000 for tuition and fees, the program is a less costly investment for students than Stern's \$138,000 two-year M.B.A.



From left, IBM chief Virginia Rometty, Hewlett Packard Enterprise's Meg Whitman and PepsiCo's Indra Nooyi were three of the 10 highest paid chief executives in 2016.

on variable, performance-based compensation," with about two-thirds of Ms. Bresch's 2016 annual target compensation tied to performance, Mylan's proxy statement said. Directors also cited its share price's appreciation during the past five, 10 and 15 years. Mylan declined to comment further.

Certain female chiefs earned hefty pay packages because they're trying to transform their employers. "Turn-around CEOs always get a premium because a turn-around is hard," said Jan Koors, a senior managing director for Pearl Meyer, a compensation consultancy.

As their pay packages reach

the highest tier, some female CEOs are coming under additional shareholder scrutiny. Consider Ms. Rometty. IBM's leader is trying to offset waning older businesses with younger ones such as cloud computing, but revenue fell for the 20th consecutive quarter during this year's first three months.

IBM paid Ms. Rometty \$32.7 million last year, up from \$19.8 million a year earlier. Her 2016 package included 1.5 million stock options, which she can't fully exercise unless IBM's stock price increases as much as 25%, according to its proxy.

But Ms. Rometty can keep those options for 10 years.

"There's very little downside risk," said Aeisha Mastagni, a portfolio manager for California State Teachers' Retirement System, which owns 2.2 million IBM shares. "It's not like she has been underpaid under her tenure as CEO."

Many IBM shareholders consider Ms. Rometty overpaid. About 46% of votes cast at this spring's annual meeting opposed the company's executive pay practices. That represents a record level of IBM investor opposition for a "say-on-pay" vote. The nonbinding referendum began in 2011.

Directors will review results of the 2017 shareholder votes "as they do every year," an IBM spokesman said.

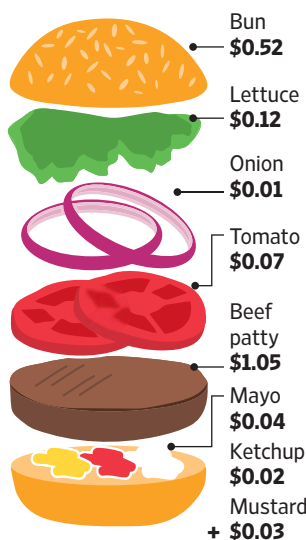
BURGERS

Continued from the prior page
taurant consultancy Technomic Inc. Today, the fast-food and fast-casual burger business is estimated at \$82 billion in sales, says Technomic.

With so much competition and only so many ways to differentiate a burger, upstarts

Anatomy of a Burger

Burgers at restaurants are sold on average at a price nearly 400% higher than the cost of ingredients.



Source: Plate IQ
THE WALL STREET JOURNAL.

have been coming out with evermore gourmet ingredients, such as Wagyu beef, roasted garlic aioli and truffled arugula, which have raised the bar for burgers overall—and their price tag.

All restaurant tabs have climbed in recent years as labor costs have risen largely because of state and local minimum-wage increases. The cost of eating out—especially when cooking at home has gotten cheaper—is a significant reason hamburger chains are seeing less foot traffic, NPD restaurant analyst Bonnie Riggs said.

Many burger places also have been placing a premium on their food. Those places have found they can beef up profits by charging extra for additional toppings.

"We've had a good 10% increase in average check over the last couple of years," said Andrew Wiederhorn, chief executive of **Fatburger North America** Inc. "Menu price increases are a piece of that, but 60% of it is from premium offerings we've added to the menu, like fried egg or guacamole."

A basic hamburger at the Los Angeles-based chain starts at \$5.94, but after adding bacon and chili, it is \$8.14. With fries and a drink, the combo totals \$13.37.

The Habit Restaurants Inc. has raised overall menu prices in response to rising labor costs and has added new, higher-priced items such as a Portabella Charburger, which

at \$4.75 costs \$1.40 more than the original Charburger. With fries and a medium drink, it comes to \$8.75.

Some traditional fast-food chains have been struggling to attract customers who have migrated to places serving more gourmet food. McDonald's recently adopted a back-to-basics approach after years of chasing health-minded customers with products such as salads, sandwich wraps and fruit smoothies. It had neglected its burgers and recently found that only one in five millennials had ever tried its signature Big Mac.

The burger giant has been trying to improve the quality of its burgers by adjusting temperatures and cook times to deliver hotter, fresher burgers. Next year, it plans to make its Quarter Pounders with fresh, instead of frozen, beef. It is also in the process of rolling out higher-end, customizable burgers from a "Signature Crafted" menu to compete with the "better" burger places, but at a much lower price.

Burger King's deals include two cheeseburgers, a small order of fries and a small drink for \$3.29 at participating restaurants in the U.S. McDonald's has experimented with a number of value meals, such as two items for \$5. Wendy's created its four-for-\$4 menu because it found that, on average, people only have \$4 to \$6 to spend on lunch each day.

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BUSINESS NEWS

German Business Frets About U.S.

Trump's comments on bilateral trade fan fears of barriers to key export market

A political war of words between Berlin and Washington is increasingly unsettling German executives who fear it could be bad for business.

By Patricia Kowsmann in Frankfurt, Anton Troianovski and Bertrand Benoit in Berlin

In remarks widely interpreted as critical of U.S. President Donald Trump, German Chancellor Angela Merkel said in a speech on Sunday that Europe could no longer completely rely on old allies. Mr. Trump snapped back on Tuesday, describing Germany's trade surplus with the U.S. in a tweet as "very bad for U.S."

The exchange followed meetings in Europe last week between Mr. Trump and other world leaders in which U.S. and European officials said the president sharply criticized German exports to his country.

Fearing a damaging trade dispute, traditionally soft-spoken German industry representatives shed their diplomatic reserve this week to warn about the danger to both sides.

"The U.S. would be shooting itself in the foot if it were to isolate itself," said Anton Börner, president of the BGA federation of German exporters. "Any attempt to restrict trade would conjure up a global growth crisis, which would massively damage the U.S. economy."

On Monday, Dieter Kempf, president of the influential BDI federation of German industry, slammed waning U.S. support for free trade, saying: "The U.S. has maneuvered itself onto the sidelines."

German-U.S. trade flows are among the largest in the world between any two countries. While China upstaged France



BMW operates an auto plant in Greer, S.C. German officials have tried to highlight German contributions to the U.S. economy.

and the U.S. as Germany's biggest trade partner last year, according to Germany's Federal Statistics Office, the U.S. remains the world's biggest buyer of German goods, with imports worth €106.9 billion (\$119.9 billion) in 2016.

In a smaller domestic market where consumption and investment have been tepid for years, German companies rely heavily on exports to feed profit. So punitive tariffs or other U.S. moves to curb German exports could wreak havoc on the German economy.

U.S. officials have denied Mr. Trump's criticism of Germany reflected skepticism about free trade in general. Rather, they say he is concerned that other nations enjoy an unfair advantage when exporting into the open American market, while not giving U.S. companies the same access to theirs.

To guard against protectionist moves by Washington, German officials and industrialists have been trying to educate the Trump administration about German contributions to the U.S. economy. They hit on the fact that German companies in the U.S. employ about 672,000 people and have invested more than \$300 billion in the country.

During Ms. Merkel's visit to the U.S. capital in March, BMW Chief Executive Harald Krüger told Mr. Trump that the U.S. was his company's "second home," with a South Carolina plant that employs 9,000 people and has spent \$200 million in training its workers. "We are proud as we are the biggest net exporter of vehicles in the U.S.," Mr. Krüger told Mr. Trump, who went on to call BMW's plant "incredible."

Others point to the large

share of capital goods in Germany's U.S. exports—machines and robots they say are vital to American factories.

"With tiring regularity, Germany is criticized for its trade and current account surpluses," Carl Martin Welcher, president of a trade group for capital-goods manufacturers, said last week. "But Germany's industry is not exporting problems, it's delivering competitiveness."

Before Mr. Trump's tweet, German officials had thought that they were making progress on trade policy in talks with Washington. German Economics Minister Brigitte Zypries, who met with U.S. Commerce Secretary Wilbur Ross on a visit to the U.S. last week, said Mr. Ross didn't criticize the German trade surplus in the meeting.

But some officials say their meetings with U.S. counter-

parts have shown that Germany's lucrative export stream into the world's biggest economy needs defending.

"It's evident that isolation is bad for everyone," a senior German Economics Ministry official, Berend Diekmann, said at a conference in Berlin on Tuesday. "But it seems it's a bit less evident for some people in the Trump administration."

Meanwhile, German officials have maintained that Berlin can do little to tame the country's large trade surplus because it reflects German industry's competitiveness and exchange rates that are subject to the policies of the European Central Bank.

"California's trade balance with China is no more a subject of discussion than the German trade balance with the U.S. should be," the Economics Ministry said in a recently published document.

Chinese Law Regulates Cybersecurity

By ALYSSA ABKOWITZ

BEIJING—China's new cybersecurity law goes into force Thursday amid confusion among some foreign technology companies about how it will affect their operations.

The law, adopted late last year, requires security reviews of technology products supplied to the Chinese government and critical industries. Foreign business groups claim its requirements could give Chinese firms an unfair competitive edge as the law's broad reach grants Chinese authorities the ability to block a product or service.

Some companies are having a hard time assessing the impact because Chinese government authorities are still working on the specific regulations to implement the law, which is written vaguely.

For example, specific measures to comply with the law's mandates for data storage and the protection of user information are still being "perfected," a Cyberspace Administration of China spokesperson said during a news conference, a transcript of which it posted on its website Wednesday.

In the weeks leading up to June 1, Chinese authorities also introduced new provisions, such as the implementation of criminal sanctions if companies breach or ignore data-protection laws, and a requirement that firms gain consent before using cookies in China, according to law firm DLA Piper.

As a result, some companies in China have said they aren't entirely sure how they're supposed to implement the law.

"Some requirements are new and so far stipulated in vague terms that likely will be supplemented over time," said Paul McKenzie, managing partner at the Beijing office of law firm Morrison Foerster LLP.

—Eva Dou contributed to this article.

Whirlpool Asks U.S. To Impose Import Curbs

By WILLIAM MAULDIN AND ANDREW TANGEL

Whirlpool Corp. asked the U.S. government to impose broad barriers on imports of household washing machines, part of the company's efforts to fight what it calls unfair trade practices by South Korea-based rivals, company executives said.

The case would go to President Donald Trump's desk if an independent commission agrees with Whirlpool's claims. Mr. Trump and his advisers have repeatedly vowed to dust off rarely used U.S. trade law to block foreign imports and bolster American manufacturers.

The Benton Harbor, Mich.-based Whirlpool has been fighting since at least 2011 what it and U.S. officials have called the dumping of washing machines made by Samsung Electronics Co. and LG Electronics Inc. in several countries. Samsung and LG have denied violating trade rules.

"Whirlpool has once again decided to seek government protection rather than compete in the marketplace," LG Electronics said Wednesday. "LG strongly disagrees that imports are causing serious injury to Whirlpool."

A Samsung spokeswoman didn't immediately respond to a request for comment.

Whirlpool petitioned the U.S. International Trade Commission on Wednesday to weigh in on what it says is a doubling of imports of large

residential washing machines and the potential injury the American industry is facing.

If the commission—an independent body that includes Democratic and Republican appointees—finds an increase in washer imports that may be a substantial cause of serious injury, the Trump administration could respond this year by imposing broad tariffs or other measures on washer imports via a process known as "safeguard" or "Section 201" of trade law.

A spokeswoman for the trade commission confirmed Whirlpool's filing.

"We believe in free trade, but it doesn't work if people don't obey the rules and follow the laws," said Aaron Spira, chief legal officer for North America at Whirlpool. "We have to look for other options that will solve the issue."

Whirlpool's long-term battle against Samsung and LG has already caught the attention of the Trump administration, which has warned of using rare presidential powers and U.S. legal provisions to punish trading partners.

The case could also provide a window into how far the administration will go in bigger cases involving steel, aluminum or other industries.

At a gathering of economists this year, Peter Navarro, head of the White House Office of Trade and Manufacturing Policy, said the washer fight shows "precisely the kind of trade cheating that must be stopped."



Whirlpool is fighting what it calls dumping of washing machines.

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Legal Notices

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION
In re: EMAS CHYODA SUBSEA LIMITED, et al., Chapter 11
Debtors, Case No. 17-31146 (MI)
(Jointly Administered)

NOTICE OF ORDER APPROVING (I) ADEQUACY OF THE DISCLOSURE STATEMENT AND NOTICE OF THE DISCLOSURE STATEMENT HEARING, (II) HEARING DATE TO CONSIDER CONFIRMATION OF THE PLAN AND PROCEDURES FOR FILING OBJECTIONS TO THE PLAN, (III) DEADLINES RELATED TO SOLICITATION AND CONFIRMATION, (IV) SOLICITATION PROCEDURES FOR CONFIRMATION OF THE PLAN AND THE FORM OF VARIOUS BALLOTS AND NOTICES IN CONNECTION THEREWITH, AND (V) VOTING AND GENERAL TABULATION PROCEDURES TO ALL HOLDERS OF CLAIMS AND INTERESTS AND PARTIES IN INTEREST:

1. Approval of the Disclosure Statement and the Solicitation Procedures. On May 25, 2017, the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") entered the Order Approving (I) Adequacy of the Disclosure Statement and Notice of the Disclosure Statement Hearing, (II) Hearing Date to Consider Confirmation of the Plan and Procedures for Filing Objections to the Plan, (III) Solicitation Procedures, and the Bankruptcy Rules, and the Solicitation and Confirmation of the Plan, (IV) Solicitation Procedures for Confirmation of the Plan and the Form of Various Ballots and Notices in Connection Therewith, and (V) Voting and General Tabulation Procedures [Docket No. 445] (the "Disclosure Statement Order") that, among other things, (i) approved the adequacy of the Third Amended Disclosure Statement with Respect to the Third Amended Joint Chapter 11 Plan of Reorganization of Certain Affiliated Debtors of EMAS CHYODA Subsea Limited [Docket No. 447] (as may be amended from time to time including all exhibits and supplements thereto, the "Disclosure Statement") and (ii) authorized the above-captioned debtors and debtors in possession (the "Debtors" or the "Company") to solicit acceptances or rejections of the Third Amended Joint Chapter 11 Plan of Reorganization of Certain Affiliated Debtors of EMAS CHYODA Subsea Limited [Docket No. 446] (as may be amended from time to time including all exhibits and supplements thereto, the "Plan") from the Holders of Impaired Claims who are entitled to vote on the Plan.

2. Classes Entitled to Vote. Only Holders of Claims in Classes 1G through 3G and Classes 5G through 8G are entitled to vote to accept or reject the Plan, subject to the solicitation procedures (the "Solicitation Procedures") attached to the Disclosure Statement Order. Holders of unclassified Claims, including DIP Facility Claims, Administrative Claims, Professional Claims, and Priority Tax Claims, and of Claims and Interests in Classes 1A through 5A, 5B, 5C, 7D, 1E through 5E, and 1F through 8F are unimpaired and are presumed to have accepted the Plan. Holders of Claims and Interests in Classes 1H through 8H, 1I through 8I, and 1J through 8J will receive no distribution and receive no property under the Plan and are deemed to have rejected the Plan.

3. Voting Record Date. The record date for determining (i) creditors and interest holders entitled to receive Solicitation Packages and other notices and (ii) creditors entitled to vote to accept or reject the Plan is May 24, 2017 (the "Voting Record Date").

4. Voting Deadline. The deadline by which (i) Ballots for accepting or rejecting the Plan must be received by Epiq Bankruptcy Solutions, LLC (the "Solicitation Agent") to be counted is June 23, 2017, at 4:00 p.m. (Prevalling Central Time) (the "Voting Deadline").

5. Confirmation Objection Procedures and Deadline. Objections to the confirmation of the Plan (each, a "Confirmation Objection") must (i) be made in writing; (ii) comply with the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Local Rules; (iii) set forth the nature and address of the objector and the nature and amount of any claim or interest asserted by the objector against or in the Debtors, their estates, or their property; (iv) state with particularity the legal and factual bases for the objection; (v) be filed with the Bankruptcy Court no later than June 23, 2017 at 4:00 p.m. (Prevalling Central Time) (the "Confirmation Objection Deadline"); provided, however, that the Confirmation Objection Deadline shall be June 26, 2017 at 4:00 p.m. (Prevalling Central Time) solely with respect to Confirmation Objections relating to the financial feasibility of Newco Plan Confirmation Objections that are not timely filed shall not be considered by this Court and shall be overruled.

6. Confirmation Hearing. Under the Disclosure Statement Order, a hearing (the "Confirmation Hearing") will be held before the Honorable Marvin Isgur, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of Texas, 515 Rusk Street, Courtroom 404, Houston, Texas 77002, on June 29, 2017 at 9:00 a.m. (Prevalling Central Time) or as soon thereafter as counsel can be heard, to consider the entry of an order confirming the Plan within the meaning of Bankruptcy Code section 1129. The Confirmation Hearing may be continued from time to time by way of announcement of such continuance in open court, without further notice to parties in interest.

7. Allowance of Claims for Voting Purposes. A Holder of a Claim not entitled to vote on the Plan because the claim is a filed claim was subject to a pending objection (each, a "Disputed Claim") shall be permitted to vote such claim (or to vote such claim in an amount other than the amount set forth in the Schedules) only if one of the following shall have occurred with respect to such claim at least five Business Days prior to the Voting Deadline (the "Voting Resolution Event Deadline"): (i) an order is entered by the Bankruptcy Court allowing such Disputed Claim pursuant to Bankruptcy Code section 502(b), after notice and a hearing; (ii) a creditor files with the Bankruptcy Court a motion for an order allowing such Disputed Claim pursuant to Bankruptcy Code section 502(b), after notice and a hearing; (iii) a stipulation or other agreement is executed between the Holder of the Disputed Claim and the Debtors temporarily allowing the Holder of such Disputed Claim to vote its Claim in an agreed upon amount; or (iv) the pending objection to the Disputed Claim is voluntarily withdrawn by the Debtors or overruled by the Bankruptcy Court (each, a "Resolution Event").

Rule 3018(a) Motions must (i) be made in writing; (ii) comply with the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Local Rules; (iii) set forth the nature of the party asserting the Rule 3018(a) Motion; (iv) state with particularity the legal and factual bases for the Rule 3018(a) Motion; (v) be set for hearing at the Confirmation Hearing; and (vi) be served so as to be received by the Notice Parties no later than the Voting Resolution Event Deadline.

No later than two (2) Business Days after a Resolution Event, the Solicitation Agent shall distribute a Ballot and a pre-addressed, postage pre-paid envelope to the relevant Holder of the Disputed Claim, which must be returned to the Solicitation Agent by no later than the Voting Deadline (unless the Debtors extend the deadline to facilitate a reasonable opportunity for such Creditor to vote upon the Plan).

In the event that the Debtors and the Holder of the Disputed Claim are unable to resolve any issues raised by the Rule 3018(a) Motion prior to the Confirmation Hearing, (i) the Debtors may object to the Rule 3018(a) Motion at the Confirmation Hearing (without filing a written objection); (ii) the Solicitation Agent shall inform the Bankruptcy Court or prior to the Confirmation Hearing whether including such provisional Ballot would affect the outcome of the voting to accept or reject the Plan in the relevant class in which the provisional Ballot was cast; and (iv) the Bankruptcy Court then shall determine whether the provisional Ballot should be counted as vote on the Plan.

8. Discharge, Release, Injunction, and Exculpation Language in the Plan. YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE DISCHARGE, RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS SET FORTH IN ARTICLE XI OF THE PLAN, AS YOUR RIGHTS MAY BE AFFECTED. THE TEXT OF THE DISCHARGE, RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS OF THE PLAN ARE SET FORTH BELOW.

(a) Article 11.2. Discharge of Certain of the Plan Debtors. Pursuant to Bankruptcy Code section 1141(d), except as otherwise specifically provided in the Plan or the Confirmation Order, and effective as of the Effective Date: (a) the distributions and rights that are provided in the Plan, if any, and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Causes of Action (whether known or unknown, including any interest accrued on such Claims from and after the Petition Date) against, liabilities of, Liens on, obligations of, rights against, and interests in the Plan Debtors (other than Marine Base Opco Debtor) or any of their assets or properties, regardless of whether any property shall have been distributed or retained under the Plan on account of such Claims, rights, and interests, including, but not limited to, Claims and Interests that arose before the Effective Date and all debts of the kind specified in Bankruptcy Code sections 502(g), 502(h), or 502(i), in each case whether or not (i) a Proof of Claim or Interest based upon such Claim, debt, right, or interest is filed or deemed filed under Bankruptcy Code section 501, (ii) a Claim or Interest based upon such Claim, debt, right, or interest is allowed under Bankruptcy Code section 502, or (iii) the Holder of such a Claim, right, or interest accepted the Plan; (b) the Plan shall bind all Holders of Claims and Interests notwithstanding whether any such Holders failed to vote to accept or reject this Plan or voted to reject the Plan; (c) all Claims and Interests

shall be satisfied, discharged, and released in full, and the Plan Debtors' (other than Marine Base Opco Debtor's) liability with respect thereto shall be extinguished completely, including any liability of the kind specified under Bankruptcy Code section 502(g); and (d) all Entities shall be precluded from asserting against the Plan Debtors (other than Marine Base Opco Debtor), their estates, and their assets, and the assets and properties of any other Claims or Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims against and Interests in the Plan Debtors (other than Marine Base Opco Debtor), subject to the occurrence of the Effective Date, as of the Effective Date, the Plan Debtors and their Estates, and each of their respective current and former Affiliates shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or capable of being asserted on behalf of the Plan Debtors and their Estates, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Plan Debtors, the operation of the Plan Debtors prior to, on, or after the Petition Date, the Plan Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Plan Debtors, provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, any other Plan Transaction Document, or related agreements, instruments, exhibits, or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes fraud, willful misconduct or gross negligence as determined by a Final Order. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under this Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement this Plan.

For the avoidance of doubt, nothing in Section 11.5 of the Plan shall in any way affect the operation of Section 11.2 of the Plan, under Bankruptcy Code section 1141(d). (c) Article 11.6. Release by Holders of Claims and Interests. As of the Effective Date, the Released Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged the Plan Debtor, their Estates, non-Debtor Affiliates, and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or capable of being asserted, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the operation of the Debtors prior to, on, or after the Petition Date, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Plan Debtors provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in this Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, any other Plan Transaction Document, or related agreements, instruments, exhibits, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence as determined by a Final Order. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under this Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement this Plan.

For the avoidance of doubt, nothing in Section 11.5 of the Plan shall in any way affect the operation of Section 11.2 of the Plan, under Bankruptcy Code section 1141(d). (c) Article 11.6. Release by Holders of Claims and Interests. As of the Effective Date, the Released Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged the Plan Debtor, their Estates, non-Debtor Affiliates, and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or capable of being asserted, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the operation of the Debtors prior to, on, or after the Petition Date, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Plan Debtors provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in this Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, any other Plan Transaction Document, or related agreements, instruments, exhibits, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence as determined by a Final Order. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under this Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement this Plan.

For the avoidance of doubt, except as expressly provided in the Plan, nothing in Section 11.6 of the Plan shall in any way affect the operation of Section 11.2 of the Plan, under Bankruptcy Code section 1141(d). Furthermore, the Constellation Debtors, DNB, and DBS shall not grant, or be deemed to have granted, any release, waiver or discharge of Claims against the Constellation Debtor under Section 11.6 of the Plan unless and until the Effective Date as to the Plan for the Constellation Debtor has occurred.

(d) Article 11.7. Exculpation and Limitation of Liability. The Exculpated Parties shall neither have, nor incur any liability to any Entity for any Exculpated Claim; provided, however, that the foregoing "exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that no Exculpated Party shall be exculpated under Section 11.7 of the Plan for any Exculpated Claim against the Constellation Debtor related to the Plan for the Constellation Debtor or any sale of the Constellation Vessel unless and until the Effective Date as to the Plan for the Constellation Debtor has occurred.

The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and, therefore, are not and shall not be liable at any time for the violations of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or such distributions made under the Plan.

(e) Article 11.9. Injunction. The satisfaction, release, and discharge under Article XI of the Plan shall act as an injunction, from and after the Effective Date, against any Entity (a) commencing or continuing in any manner or in any place, any action, employment of process, or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any Lien or encumbrance, in each case with respect to any Claim, Interest, or Cause of Action satisfied, released or to be released, exculpated or to be exculpated, or discharged under the Plan or pursuant to the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including to the extent provided for or authorized by sections 524 and 1141 thereof; provided, however, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order.

You Are Advised To Carefully Review And Consider The Plan As Your Rights might be Affected.

9. Access to Documents and Inquiries. Copies of the Disclosure Statement, the Plan, the Disclosure Statement Order, and all documents filed in the Chapter 11 Cases may be accessed through the Debtors' restructuring information website, <http://ddm.epiq.com/ECs>. The applicable Ballots shall be sent to parties entitled to vote in paper form along with this Confirmation Hearing Notice. If you have questions regarding this Confirmation Hearing Notice or the procedures and requirements for voting on the Plan and/or for objecting to the Plan, you may contact the Solicitation Agent by: (i) e-mail tabulation@epiqsystems.com and reference EMAS CHYODA in the subject line or (b) by telephone at (844) 616-5629, within the U.S. or Canada, or (503) 597-5538, outside of the U.S. or Canada.

The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number and jurisdiction of formation are as follows: EMAS CHYODA Subsea Limited (UK) (3187); EMAS CHYODA Subsea Inc. (Delaware) (7884); EMAS CHYODA Subsea Marine Base LLC (Texas) (5974); Levick Falcon Shipping Pte. Ltd. (Singapore) (041E); EMAS CHYODA Marine Base Holding Co., LLC (Texas) (7463); EMAS CHYODA Subsea Services Pte. Ltd. (Singapore) (3332); EMAS-AMC Pte. Ltd. (Singapore) (0442); EMAS Saudi Arabia Ltd. (Saudi Arabia) (0669); Levick Constellation Pte. Ltd. (Singapore) (376E); EMAS CHYODA ROV Pte. Ltd. (Singapore) (049M); EMAS CHYODA Subsea Services B.V. (Netherlands) (4073); EMAS CHYODA Subsea Services (UK) Limited (Scotland) (3187); EMAS CHYODA Subsea Services LLC (Delaware) (1728); EMAS CHYODA Subsea (Thailand) Co., Ltd. (Thailand) (1011); Gallatin Marine Management, LLC (Delaware) (8989). The address of the Debtors' U.S. headquarters is 925 Town & Country Ln., Suite 1500, Houston, TX 77060. *Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

TECHNOLOGY

Toshiba Takes Step To Hasten Unit's Sale

By MAYUMI NEGISHI

TOKYO—Fighting to survive, **Toshiba Corp.** made a legal concession to U.S. company **Western Digital Corp.** in a bid to accelerate the sale of the Japanese technology giant's lucrative memory-chip unit.

Toshiba, whose flash-memory clients include **Apple Inc.** and **Nintendo Co.**, said it would keep part of the unit's assets in-house, which it said would prevent Western Digital from carrying out its threat to block a sale of the unit to a third party.

Such claims "are now moot," Toshiba's lawyers said in a letter dated Wednesday to Western Digital's lawyers.

A Western Digital spokesman said he couldn't immediately comment.

Tech giant makes legal concession to Western Digital on sale of chip business.

The sale could bring in \$20 billion or more, analysts have said. That would cover losses at Toshiba's nuclear affiliate, **Westinghouse Electric Co.**, which filed for chapter 11 bankruptcy protection in March. Toshiba's banks have urged it to complete the sale quickly, and the company has said it hopes to secure a buyer by the end of June.

Toshiba's chip business includes a joint venture originally concluded with SanDisk Corp. Western Digital took over SanDisk's stake when it acquired SanDisk last year. It says it has the right to block any effort by Toshiba to sell its chip unit because of what it describes as its rights under Toshiba's contracts with SanDisk.

Toshiba said that even if those rights exist—a point it disputes—they would be triggered only by a sale of the assets that Toshiba now says it will hold onto.

Western Digital earlier this month sought arbitration to prevent a sale of Toshiba's chip business. In addition, Western Digital has threatened to sue Toshiba's banks and potential bidders for the business, Toshiba's lawyers said in the letter.

Besides Western Digital, bidders for Toshiba's chip unit include Foxconn Technology Group of Taiwan, SK Hynix Inc. of South Korea and U.S.-based Broadcom Ltd. Toshiba is the world's No. 2 flash-memory maker after South Korea's Samsung Electronics Co.

Toshiba said earlier Wednesday that it won't be able to win auditors' approval for its earnings results for the year ended in March by its annual shareholders' meeting on June 28.

Samsung Delays a Rollout in U.S.

Bixby virtual assistant struggles with English and likely won't hit the market until late June

By TIMOTHY W. MARTIN

SEOUL—The English-language version of **Samsung Electronics Co.'s** new voice-activated virtual assistant likely won't make its debut in the U.S. until at least late June, according to people familiar with the matter, more than two months after the launch of the South Korean technology company's latest high-end smartphone.

Samsung officials had aimed internally for a late May U.S. rollout of Bixby, the Galaxy S8's artificial-intelligence service, The Wall Street Journal reported in April.

A company spokesman said at the time that Bixby would be ready in the U.S. by "later this spring," without specifying a date.

But the English-language Bixby is still weeks away from being finished, according to people familiar with the matter, though no ultimate decision has been made on timing. Recent internal tests of the service have revealed the voice-activated assistant is struggling to comprehend English syntax and grammar, one of the people said.

Bixby, akin to **Apple Inc.'s** Siri, is an artificial-intelligence



Samsung originally sought a late-May U.S. debut for the Galaxy S8 smartphone's Bixby service.

service used to field tasks. Samsung has made the feature a selling point of the Galaxy S8, which hit shelves April 21 and is Samsung's most closely watched product launch in years after last year's global recall of the Galaxy Note 7.

"Bixby Voice benefits from time to further enhance natural language understanding, and we are currently growing our user testing in the U.S. to prepare for launch," a spokeswoman for Samsung said in an email, adding that other elements of the virtual assistant,

such as image-recognition features, were already available.

The Galaxy S8 won strong reviews for its physical design. In its home market, Samsung has sold one million Galaxy S8 handsets in 37 days—reaching that figure in half as many days as it took the prior year's device, the company spokeswoman said. That phone, the Galaxy S7, eventually became the company's best-selling smartphone.

Samsung didn't provide updated U.S. sales figures, though mobile chief D.J. Koh

said in mid-April that preorders in the U.S. for the new handset had surpassed those during the prior year for the Galaxy S7.

Virtual assistants aren't a significant hit with smartphone users. Just 9% of consumers use artificial-intelligence services such as Siri or Bixby on a regular basis, with 50% saying they had no interest or knowledge in digital assistants, according to Ovum, a market-research firm that surveyed 4,000 consumers in Asia, the U.K. and U.S. during

Uber Fires Executive at Center of Lawsuit

By JACK NICAS

Uber Technologies Inc. fired its top driverless-car executive nine months after buying his startup for \$680 million, in a bid to contain a spiraling legal battle with Google parent **Alphabet Inc.**

Uber said Tuesday it dismissed the executive, Anthony Levandowski, after he missed the company's deadline to comply with court orders to produce documents related to Alphabet's lawsuit. Alphabet has accused Uber and Mr. Levandowski of conspiring to steal its trade secrets while Mr. Levandowski helped lead Alphabet's driverless-car unit, now called Waymo.

Now Uber is trying to extract itself from an increasingly awkward, and legally tricky, relationship with Mr. Levandowski. Uber has denied accusations that it used stolen technology to advance its self-driving car program. But the company has struggled to prove that because its employee at the center of the case, Mr. Levandowski, has repeatedly declined to comment or turn over any documents.

As a result, Uber hasn't denied that Mr. Levandowski stole Alphabet's files. Instead it has argued that if he did, Uber didn't know about the theft and Alphabet's trade secrets didn't make it into Uber's technology.

"They were already making clear to the court that they



Uber CEO Travis Kalanick, left, with Anthony Levandowski, who is the focus of an Alphabet suit alleging theft of trade secrets.

were not taking a position on his guilt or innocence," said Michael Brophy, an attorney with Withers Worldwide who has tracked the case. "Now this gives Uber complete license to throw Levandowski under the bus."

Mr. Levandowski and his lawyers didn't respond to requests for comment.

Uber, one of the world's most highly valued startups at nearly \$70 billion, is mired in a series of scandals, including a U.S. investigation into its use of

software to evade regulators and a leaked video of Uber Chief Executive Travis Kalanick berating an Uber driver while a passenger in his car.

The results of an internal investigation into its workplace culture, prompted by accusations that executives ignored complaints about sexual harassment, are expected next week. Separately on Tuesday, the head of Uber's New York operations left a week after the company admitted it had short-changed drivers in the city by

tens of millions of dollars over 2½ years.

The scandals could be complicating Mr. Kalanick's efforts to recruit a No. 2 executive at the company. Meanwhile, Mr. Kalanick is also dealing with personal tragedy after a boating accident on Friday killed his mother and left his father in serious condition.

According to Uber's dismissal letter to Mr. Levandowski, the executive's termination is effective June 15, unless he complies with the court order before that date. An Uber official said the company has revoked Mr. Levandowski's access to his email and security badge.

Uber in April removed Mr. Levandowski from its driverless-car program. Several weeks later, the judge formally barred him from working on the program.

Alphabet has separately filed two arbitration claims against Mr. Levandowski, which accuse him of launching competing startups while at Google and attempting to poach its employees. It isn't clear how Mr. Levandowski has responded to the arbitration claims, which are private.

A Wall Street Journal investigation found Mr. Levandowski ran side businesses throughout his nine years at Google, including some that sold technology to Google. Google eventually bought one of the startups for roughly \$20 million.

Mr. Levandowski, who isn't a party in the lawsuit, has invoked his Fifth Amendment rights against self-incrimination in the case. His attorneys initially said Mr. Levandowski wouldn't comment on the case because of the potential for criminal charges. U.S. District Judge William Alsup has since recommended that Justice Department officials investigate the accusations against Mr. Levandowski and Uber.

Judge Alsup in May encouraged Uber to use all means to force Mr. Levandowski to comply with his order to return the files and produce numerous other related documents.

"Uber has no excuse under the Fifth Amendment to pull any punches as to Levandowski," he wrote.

Mr. Levandowski's attorneys have argued the judge's order violated his constitutional right protecting him from self-incrimination. On Tuesday, his attorneys cited his firing as further evidence the judge went too far.

The judge's order placed "Mr. Levandowski on the horns of an unconstitutional dilemma: either he must waive his Fifth Amendment rights ... or face immediate firing," they wrote in a court filing.

The Alphabet lawsuit could hinder Uber's ability to pursue self-driving technology, which Uber has said is crucial to its future, and expose it to potential civil and criminal damages.

Android Founder Takes Aim At Market for Smartphones

By YOREE KOH

Andy Rubin, the father of the Android operating software, is jumping into the cut-throat smartphone market with the Essential Phone, an attempt to claw away customers from **Apple Inc.** and **Samsung Electronics Co.**

Mr. Rubin designed the \$699 phone in titanium, a material that **Essential Products Inc.** says can withstand a concrete landing unscarred. The phone has magnetic connectors to accommodate modular accessories, such as a 360-degree camera.

In a blog post, Mr. Rubin said he wanted to create a premium device that won't demand an update every year and isn't bogged down by unwanted things such as pre-installed apps. It will run on Android software.

But analysts aren't convinced Essential has what it takes to compete in the crowded smartphone market.

"How is our everyday experience using this phone going to be different?" said Jan Dawson, chief analyst at Jackdaw Research. "Is it just the fact that if we drop it, it won't break?"

One of the features that the company is touting—the click on 360-degree camera—is already offered by its competitors in some form and remains a niche product. Samsung, which launched the trend, is now working on the second-generation version of the camera, dubbed Gear 360.

Mr. Dawson also questioned how the phone will be distributed. The company hasn't said which carriers will support and sell the device. Essential said it would be released in the U.S. but didn't specify.

Apple has a firm grip on the high end of the smartphone market that Essential is targeting, said Benedict Evans, an analyst at venture firm Andreessen Horowitz. "The customer for this 'premium, well-designed phone with no hassles or crapware' already

bought an iPhone," wrote Mr. Evans in his newsletter on Tuesday. "It'll sell, but does it change the phone market?"

More budget friendly price tags appear to be resonating with consumers, according to Gartner's latest report. **Huawei Technologies Co.**, **OPPO Electronics Corp.** and **Vivo Communication Technology Co.** have gained traction on a strategy of building desirable features at affordable prices. The three Chinese manufacturers grabbed a combined 24% share of the market in the first quarter.

The top attribute the Essential Phone has going for it now might be the allure of Mr. Rubin, who sold his startup Android to Google, now a unit of **Alphabet Inc.**, in 2005.

As the co-creator of Android and the person who built Sidekick, the T-Mobile US Inc. phone that was a precursor to the smartphone, Mr. Rubin is his own valuable brand. He led Google's Android business for nearly 10 years.

BUSINESS CONFIDENCE European Firms Grow Frustrated With China

A majority of European companies operating in China saw their business improve last year despite growing frustration over operating impediments in the world's second-largest economy, according to a survey.

More than 50% of the 570-some respondents in an annual survey on business confidence released Wednesday by the European Union Chamber of Commerce in China reported higher sales last year over 2015, particularly among companies operating in the information technology, auto, machinery, cosmetics, retail and environmental sectors. Some firms saw their 2016 earnings, before interest and taxes, increase by 70% to 100% in 2016 over year-earlier levels.

The relatively upbeat results come after several years of surveys that were decidedly sour, and the latest survey suggested the conditions were unlikely to last. EU companies said their better performance was largely tied to the short-term monetary and fiscal stimulus started by Beijing in early 2016 rather than

BUSINESS WATCH

much-needed structural reform. Chinese officials didn't immediately respond to requests for comment on the survey.

—Mark Magnier

MICHAEL KORS HOLDINGS Handbag Seller Plans To Shut Some Stores

Michael Kors Holdings Ltd. said Wednesday that it would close 100 to 125 of its full-priced retail stores amid increasing pressure from deep discounting across the industry.

The luxury-handbag seller said the closures of its full-price retail stores would occur over the next two years.

It expects to record a charge of \$125 million. Kors operated around 800 retail locations at the end of 2016, though it is unclear how many were full-priced stores.

The London-based company is also raising prices to compensate for lower foot traffic, with plans to increase the average transaction size by 10% over time.

—Imani Moise and Suzanne Kapner



Michael Kors will raise prices to compensate for lower foot traffic.

FINANCE & MARKETS

EU Makes Rules for Brexit Moves

As nations compete for financial firms leaving U.K., securities watchdog steps in

By Julia Ambra Verlaine

BRUSSELS—The European Union's securities watchdog is moving to prevent national governments using differences in regulations across the bloc to lure business forced to relocate from London because of Brexit.

The Paris-based European Securities and Markets Authority released nonbinding guidelines for national regulators on handling financial firms moving from the U.K. to stay in the EU's single market.

The guidelines address a growing conflict: competition among the remaining 27 EU countries to lure banks, asset managers and insurers in a bid to bolster local economies and amplify national prestige.

"The EU 27 have a shared interest in building a common approach to dealing with relocating firms," said ESMA Chairman Steven Maijoor. He said firms moving from the City of London need to be subject to the same standards of supervision across the bloc to avoid regulatory competition among member states.

ESMA set out nine guidelines for national authorities to apply before granting licenses to firms seeking to relocate. It warned that obtaining authorization takes time and urged companies to start the process "as early as possible."

One concern among EU regulators is that U.K. firms will set up shell or "letterbox" en-



Financial companies are expected to move some operations out of London's financial district, in background above, after Brexit.

tities on the continent to retain market access. ESMA said so-called delegation arrangements—in which firms could keep substantial business in the U.K.—had to be strictly supervised.

As such, the watchdog called for national supervisors to scrutinize the number of staff located in branches and to reject requests where the majority of business would be handled outside of the EU.

ESMA said companies should expect to relocate executives, and that authorities should ensure such senior

managers "work there to a degree proportionate to their envisaged role, if not on a full-time basis."

Since March, Valdis Dombrovskis, the EU financial services chief, has expressed concern over divisions and suspicion among the EU 27 as they compete to lure business.

A bidding war among countries to host the London-based European Banking Authority, the bloc's top financial regulator, is one example of continental competition for the spoils of Brexit.

EU officials said they have

heard criticisms from some EU countries that others were offering lax enforcement of rules to make their jurisdictions more attractive to banks and financial institutions looking to stay in the bloc.

In response, ESMA warned national authorities against handing out licenses "where the activity carried out indicates clearly that the entity has opted for the legal system of a member state for the purpose of evading the stricter standards in force in another member state."

While the guidelines are

nonbinding and not enforceable, ESMA said it would undertake peer reviews of national authorities and initiate investigations of possible breaches. The watchdog also plans to create a forum where national authorities share information on businesses looking to move to the bloc.

The guidelines are in line with the stance taken by the European Central Bank. ECB executive board member Sabine Lautenschläger said in March that the bank's supervisory arm wouldn't accept empty shell companies.

TRADING

U.S. Banks Report Decline in Activity

Executives at the two biggest U.S. banks signaled that second-quarter trading is weakening, bringing to a halt a string of strong quarters that have boosted bank results.

J.P. Morgan Chase & Co. Chief Financial Officer Marianne Lake said at an industry conference that the bank's second-quarter trading is so far down about 15% compared with a year ago.

Bank of America Corp. Chief Executive Brian Moynihan, speaking at a separate conference, said his bank's second-quarter trading revenue will be down slightly from a year ago.

Last year's trading results across the industry were unusual. The year started with a slow first quarter, then picked

up steam because of developments including the U.K.'s Brexit vote and the U.S. election.

"We're doing decently in a reasonably challenging environment," Ms. Lake said. "Performance is quite good but there's not a lot to trade around right now...there haven't been that many exciting events and we need a few more of them."

—Emily Glazer and Christina Rexrode

ALLIED IRISH BANKS

Government Tees Up Sale of a Stake

The Irish government will sell a quarter of its stake in **Allied Irish Banks PLC** in what is expected to be one of the biggest European bank listings of the last decade.

The Irish government owns 99.9% of AIB after pumping nearly €21 billion (\$23.4 billion)



Ireland bailed out Allied Irish Banks during the financial crisis.

into the lender during the financial crisis.

The sale of the first chunk of government shares is expected to raise around €3 billion. In a statement late Tuesday, the Irish finance ministry said AIB would be listed on the Irish and London

exchanges. —Max Colchester

MALAYSIA

RHB and AMMB Consider a Merger

Malaysia's **RHB Bank Bhd.**

and **AMMB Holdings Bhd.**, the country's fourth- and sixth-largest lenders in terms of assets, respectively, are considering a merger that will create Malaysia's third-largest banking group, say people close to the deal.

Both banks said Wednesday evening that their shares would be suspended from trading on Malaysia's stock exchange Thursday morning pending the release of a "material announcement."

RHB and AMMB are planning to announce that they have obtained the green light to start merger talks from Malaysian banking authorities, the people said. Officials at RHB and AMMB didn't respond to requests for comments.

Shares of RHB closed 0.2% higher at 5.39 ringgit (\$1.26), while AMMB ended the day 2.2% higher at 5.21

—Yantoultra Ngui and P.R. Venkat

—Lingling Wei contributed to this article.

Mall Landlord Accedes To Shareholder Pressure

By Esther Fung

Luxury mall landlord **Taubman Centers Inc.** said it has agreed to hold annual elections for directors, shortly before an annual meeting in which it faces a proxy fight from an activist investor.

The move came after influential proxy-advisory firms **Institutional Shareholder Services Inc.** and **Glass Lewis & Co.** last week expressed concerns about Taubman's corporate governance record. The firms also endorsed the two nominees for Taubman's board proposed by the activist hedge fund **Land & Buildings Investment Management LLC**.

"Our shareholders have made a convincing case to us that the board can and should move faster in enhancing Taubman's corporate governance by pursuing accelerated board refreshment and moving forward with transitioning to annual elections for directors," said Taubman Centers' lead director Myron E. Ullman III in a Tuesday news release. He added that these moves will be taken before the 2018 annual meeting.

Land & Buildings, which owns 1.2% of Taubman, has proposed replacing Taubman Chief Executive Robert Taubman and Mr. Ullman with Jonathan Litt, founder and chief



Taubman Centers agreed to hold annual elections for directors.

investment officer of Land & Buildings, and Charles Elson, a corporate governance expert from the University of Delaware.

Voting results will be announced at the annual meeting on Thursday.

Taubman Centers' latest announcement "to de-stagger the board two days before the annual meeting and 10 years after more than 85% of common shareholders voted for this measure is too little too late and fails to address deeply embedded issues with Taubman's governance structure," said Mr. Litt.

The proxy advisory firms highlighted that Taubman hadn't implemented share-

holders' proposals in 2007 and 2008 to de-stagger the board. Glass Lewis said the board had acted in a manner that was contrary to the interests of common shareholders, including implementing a dual-class voting structure through the issuance of preferred stock that misaligned economic interests and voting power, to the benefit of the Taubman family.

Taubman Centers said earlier it believes the advisory firms have erred by basing their recommendations on factors such as how it rejected a hostile takeover attempt 15 years ago, rather than on the firm's track record of performance.

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INTERNATIONAL INVESTMENT FUNDS

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FUND NAME	NAV				-%RETURN-			
	GF	AT	LB	DATE	CR	NAV	YTD	12-MO 2-YR
VP Classic-B Units	AS	EQ	HKG	05/29	USD	139.10	21.4	33.7 -3.3
VP Classic-C Units	AS	EQ	HKG	05/29	USD	17.54	21.4	33.7 -3.6
VP Classic-C Units AUD H	AS	EQ	HKG	05/29	AUD	14.48	21.3	34.8 -3.2
VP Classic-C Units CAD H	AS	EQ	HKG	05/29	CAD	13.99	20.8	33.9 -4.4
VP Classic-C Units HKD H	AS	EQ	HKG	05/29	HKD	11.90	20.8	32.5 NS
VP Classic-C Units NZD H	AS	EQ	HKG	05/29	NZD	14.46	19.9	32.8 -3.1
VP Classic-C Units RMB	AS	EQ	HKG	05/29	CNH	11.74	12.7	31.5 NS
VP Classic-C Units RMB H	AS	EQ	HKG	05/29	CNH	11.84	23.2	36.6 NS
VP Multi-Asset Fund C1s A HKD	OT	OT	HKG	05/29	HKD	10.33	7.4	NS NS
VP Multi-Asset Fund C1s A USD	OT	OT	HKG	05/29	USD	10.44	6.9	10.1 NS
VP Taiwan Fund	AS	EQ	CYM	05/26	USD	19.28	15.1	28.7 8.4

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China A-Share Fund C1s A AUD H	OT	OT	HKG	05/26	AUD	13.03	10.5	22.6 -8.3
China A-Share Fund C1s A USD H	OT	OT	HKG	05/26	USD	12.21	11.7	17.1 -8.3
China A-Share Fund C1s A CAD H	OT	OT	HKG	05/26	CAD	12.04	10.3	21.2 -9.3
China A-Share Fund C1s A EUR H	OT	OT	HKG	05/26	EUR	12.61	9.7	19.9 -9.3
China A-Share Fund C1s A MDS AUD H	OT	OT	CYM	05/29	AUD	12.33	6.9	19.5 NS
China A-Share Fund C1s A GBP H	OT	OT	HKG	05/26	GBP	12.61	9.5	23.9 -8.3
China A-Share Fund C1s A GBP UNH	OT	OT	HKG	05/26	GBP	14.54	8.5	36.9 -2.2
China A-Share Fund C1s A HKD H	OT	OT	HKG	05/26	HKD	12.84	10.0	21.5 -8.9
China A-Share Fund C1s A HKD UNH	OT	OT	HKG	05/26	HKD	12.85	15.2	19.8 -9.5
China A-Share Fund C1s A NZD H	OT	OT	HKG	05/26	NZD	12.83	10.6	23.0 -7.8
China A-Share Fund C1s A NZD UNH	OT	OT	HKG	05/26	NZD	11.34	13.9	15.6 -8.3
China A-Share Fund C1s A RMB (CNH)	OT	OT	HKG	05/26	CNH	14.04	12.0	25.1 -6.2
China A-Share Fund C1s A USD	OT	OT	HKG	05/26	USD	12.77	14.7	20.7 -9.6
China A-Share Fund C1s A USD H	OT	OT	HKG	05/26	USD	12.79	10.1	21.6 -9.0
China Greenchip-A Units	AS	EQ	CYM	05/29	HKD	61.48	20.9	29.8 -7.1
China Greenchip-A Units AUD H	AS	EQ	CYM	05/29	AUD	10.42	21.3	30.7 -7.4
China Greenchip-A Units CAD H	AS	EQ	CYM	05/29	CAD	10.11	20.9	29.4 -8.3
China Greenchip-A Units NZD H	AS	EQ	CYM	05/29	NZD	10.67	21.0	31.1 -6.9
China Greenchip-A Units USD	AS	EQ	CYM	05/29	USD	10.14	20.4	29.5 -8.0
China Greenchip-A2 QDIs Units	AS	EQ	CYM	05/29	HKD	11.13	20.6	29.6 -7.3
GC HI Yield Inc-C1s A MDS GBP H	OT	OT	CYM	05/29	GBP	9.76	5.5	15.8 9.3
GC HI Yield Inc-C1s A MDS AUD H	OT	OT	CYM	05/29	AUD	9.33	6.2	17.8 11.1
GC HI Yield Inc-C1s A MDS CAD H	OT	OT	CYM	05/29	CAD	9.40	5.8	16.6 9.7
GC HI Yield Inc-C1s A MDS NZD H	OT	OT	CYM	05/29	NZD	9.69	6.6	18.7 12.0
GC HI Yield Inc-C1s P HKD Acc sh	OT	OT	CYM	05/29	HKD	15.02	6.5	17.4 10.3
GC HI Yield Inc-C1s P HKD MDS sh	OT	OT	CYM	05/29	HKD	9.34	6.5	17.4 10.3
GC HI Yield Inc-C1s P MDS SGD H	OT	OT	CYM	05/29	SGD	10.22	5.8	16.6 10.3
GC HI Yield Inc-C1s P MDS AUD H	OT	OT	CYM	05/29	AUD	9.62	13.3	20.4 NS
GC HI Yield Inc-C1s P MDS USD	OT	OT	CYM	05/29	USD	9.35	6.0	16.9 9.9
GC HI Yield Inc-C1s MDS EUR H	OT	OT	CYM	05/29	EUR	10.19	5.2	14.8 8.6
HI-Div Stk C1s A RMB H Acc	OT	OT	HKG	05/29	CNH	11.77	17.7	27.0 1.2
HI-Div Stk C1s A RMB UNH Acc	OT	OT	HKG	05/29	CNH	13.89	13.4	27.9 3.2
HI-Div Stk C1s A1	OT	OT	HKG	05/29	USD	83.30	16.1	24.3 -1.0
HI-Div Stk C1s A2 AUD H MDS	OT	OT	HKG	05/29	AUD	9.93	16.2	24.5 -0.9
HI-Div Stk C1s A2 CAD H MDS	OT	OT	HKG	05/29	CAD	10.04	15.9	23.2 -2.1
HI-Div Stk C1s A2 GBP H MDS	OT	OT	HKG	05/29	GBP	9.52	17.2	23.6 -2.2
HI-Div Stk C1s A2 HKD H MDS	OT	OT	HKG	05/29	HKD	10.37	16.7	24.7 -0.9
HI-Div Stk C1s A2 MDS	OT	OT	HKG	05/29	USD	11.29	15.8	23.9 -1.2
HI-Div Stk C1s A2 NZD H MDS	OT	OT	HKG	05/29	NZD	10.16	16.3	25.1 0.0
HI-Div Stk C1s A2 RMB H MDS	OT	OT	HKG	05/29	CNH	9.93	18.6	27.8 1.2
HI-Div Stk C1s A2 RMB UNH MDS	OT	OT	HKG	05/29	CNH	10.21	13.7	29.1 3.5
HI-Div Stk C1s A2 SGD H MDS	OT	OT	HKG	05/29	SGD	10.90	NS	NS NS
Intel-China Converge Fund-A AUD H	AS	EQ	CYM	05/29	AUD	10.39	18.1	26.7 NS
Intel-China Converge Fund-A CAD H	AS	EQ	CYM	05/29	CAD	11.28	18.9	20.1 NS
Intel-China Converge Fund-A NZD H	AS	EQ	CYM	05/29	NZD	11.62	13.3	20.4 NS
Intel-China Converge Fund-A Units	AS	EQ	CYM	05/29	USD	154.77	16.0	25.7 -11.4
Intel-Chinese Mainland Foc Fund	AS	EQ	CYM	05/29	USD	44.43	19.9	31.0 -9.2
VP Classic-A Units	AS	EQ	HKG	05/29	USD	309.70	21.7	34.4 -2.8

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Nikkei 225 Index

STOXX 600 Index

S&P 500 Index

Trailing P/E ratio	23.94	24.04
P/E estimate *	19.15	17.75
Dividend yield	1.95	2.19
All-time high:	2415.82	05/26/17



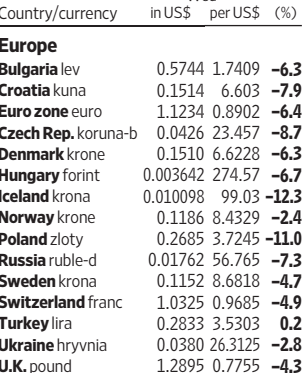
International Stock Indexes

Global government bonds

Source: SIX Financial Information; WSJ Market Data Group

Currencies

London close on May 31



Country/currency	_____ Wed _____	USD	%
	in US\$	per US\$	
Hong Kong dollar	0.1283	7.7935	0
India rupee	0.0155	64.4967	-5
Indonesia rupiah	0.000752	13306	-1
Japan yen	0.009030	110.74	-5
Kazakhstan tenge	0.003198	312.78	1
Macau pataca	0.1247	8.028	6
Malaysia ringgit-c	0.2331	4.2908	0
New Zealand dollar	0.7100	1.4085	-2
Pakistan rupee	0.0095	104.825	0
Philippines peso	0.0201	49.794	0
Singapore dollar	0.7228	1.3835	-5
South Korea won	0.000830	119.85	-7
Sri Lanka rupee	0.006549	152.79	-7
Taiwan dollar	0.03317	30.145	-7
Thailand baht	0.02937	34.050	-4

Middle East/Africa				
Bahrain dinar	2.6518	0.3771	-0.02%	
Egypt pound-a	0.0552	18.1030	-0.2%	
Israel shekel	0.2823	3.5427	-7.9%	
Kuwait dinar	3.2933	0.3036	-0.6%	
Oman sul rial	2.5976	0.3850	0.0%	
Qatar rial	0.2746	3.641	-0.03%	
Saudi Arabia riyal	0.2666	3.7505	-0.01%	
South Africa rand	0.0759	13.1735	-3.8%	
	Close	Net Chg	% Chg	YTD %Chg
WSJ Dollar Index	88.52	-0.19	-0.22	-4.75

Sources: Tullett Prebon, WSJ Market Data Group

Sources: Tullett Prebon, WSJ Market Data Group

Key Rates

Top Stock Listings

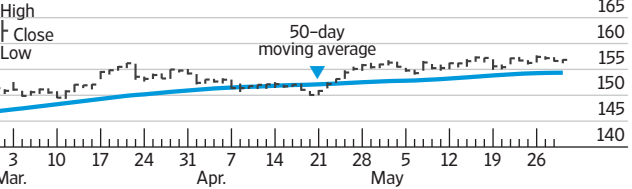
Cur	Stock	Sym	Last	YTD%	
				Chg	Chg
	RoyDutchShell A	RDSA	2100.00	-0.71	-6.35
	SAP	SAP	95.44	0.36	15.25
	Sanofi	SAN	88.17	0.70	14.66
	SchneiderElectric	SU	68.56	-0.39	3.71
	Siemens	SI	127.05	0.51	8.78
HF	Syngenta	SYNN	463.00	0.06	15.03
	Telefonica	TEF	9.95	-0.26	12.83
	Total	FP	47.27	-0.60	-2.01
HF	UBS Group	UBSG	15.40	-1.72	-3.45
	Unilever	UNA	50.70	0.52	29.62
	Unilever	ULVR	4331.50	0.50	31.56
	Vinci	DG	77.73	1.55	20.14
	VodafoneGroup	VOD	231.50	1.03	15.84
	ZurichInsurance	ZURN	284.70	0.60	15.93

DJIA				
AmericanExpress	AXP	76.57	-0.67	3.36
Apple	AAPL	153.05	-0.40	32.14
Boeing	BA	187.97	0.58	20.74
Caterpillar	CAT	104.92	-0.52	13.13
Chevron	CVX	103.10	-0.92	-12.40
CiscoSystems	CSCO	31.66	-0.05	4.78
Coca-Cola	KO	45.55	0.26	3.96
Disney	DIS	107.75	-0.54	3.39
DuPont	DD	77.71	0.74	5.87
ExxonMobil	XOM	80.51	-0.73	-10.80
GeneralElec	GE	27.25	-0.42	-13.78
GoldmanSachs	GS	21.11	-3.35	-11.84
HomeDepot	HD	153.97	0.06	14.83
Intel	INTC	36.07	-0.30	-0.55
IBM	IBM	152.41	-0.45	-8.18
JPMorganChase	JPM	82.09	-2.16	-4.87
J&J	JNJ	128.50	1.09	11.54
McDonalds	MCD	120.01	0.05	23.24
Merck	MRK	65.20	4.09	10.75
Microsoft	MSFT	69.93	-0.68	12.54
Nike	NKE	53.24	1.60	4.74
Pfizer	PFE	32.67	1.68	0.58
Procter&Gamble	PG	87.80	0.46	4.43
3M	MMM	203.75	0.64	14.10
Travelers	TRV	124.35	0.50	1.58
UnitedTech	UTX	121.22	-0.04	10.58
UnitedHealth	UNH	175.47	-0.63	9.64
Visa	V	95.12	0.42	21.92
Verizon	VZ	46.39	0.41	-13.10
Wal-Mart	WMT	78.77	0.79	13.96

12 p.m. New York time

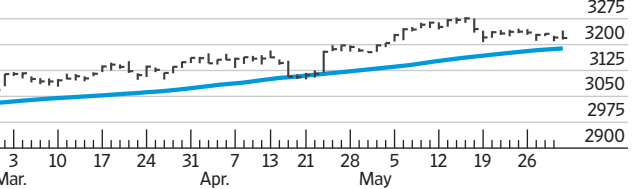
Asia Titans 50

YTD ▲ 11.5%



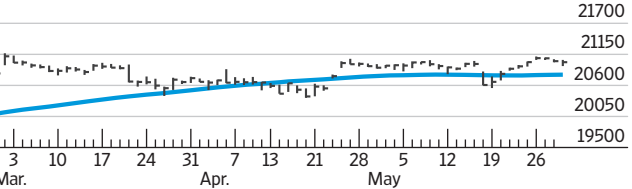
Stoxx 50

YTD ▲ 6.9%



Dow Jones Industrial Average

▲ 6.3%



Note: Price-to-earnings ratios are for trailing 12 months.
Sources: WSJ Market Data Group; Birinyi Associates

FINANCE & MARKETS

U.K. Vote Vexes Investors

Opinion polls’ mixed results lead investors to consider scenarios once written off

BY CHRISTOPHER WHITTALL
AND MIKE BIRD

The pound fluctuated Wednesday as opinion polls gave mixed messages on next week’s U.K. general election, heralding the return of politics as the crucial driver of British markets.

Sterling fell by as much as 0.5% to below \$1.28 after a poll showed the ruling Conservative Party might not win a Parliamentary majority—a scenario few had previously contemplated. The pound then rebounded to \$1.2901 in late European afternoon trade, a gain of 0.3% on the day, after another survey indicated Prime Minister Theresa May’s party has a commanding lead.

Investors still anticipate a win for Mrs. May, but are pondering what was previously unthinkable: an unconvincing victory for the incumbent government. Analysts are scrambling to churn out research on election scenarios that were until recently all but ruled out.

“The assumption of markets when the election was called was that she’d get a big majority,” said Samuel Tombs, chief U.K. economist at Pantheon Macroeconomics. “That assumption is clearly starting to be challenged.”

Investors sent the pound more than 2% higher in April when Mrs. May called the vote, with investors betting she would win a sizable majority that would strengthen her hand in negotiations over Britain’s exit from the European Union.

But the Labour Party has crept up in recent polls. Its leader, Jeremy Corbyn, is considered to be the party’s most left-wing leader in a generation. The self-described socialist has promised to nationalize rail and water companies, raise



Labour Party leader Jeremy Corbyn, left, and U.K. Prime Minister Theresa May seen in November

the minimum wage and increase taxes on corporations and the top 5% of earners.

“If we get a Labour win or hung Parliament [in which no party wins enough seats to a form a government], I think we’re in for some volatility,” said Paul Markham, a portfolio manager at Newton Investment Management.

Analysts say Mrs. May needs a large majority to face down restive lawmakers in her

An unconvincing win for the incumbent government would upend expectations.

own party who are calling for a swift and clean exit from the EU. Investors would prefer the U.K. to stay close to the bloc—its largest trading partner—and for changes to trading and other arrangements to be staggered.

Investment banks have issued a slew of reports on how markets might react to different election scenarios, although many investors are

wary of second-guessing, given polls failed to guess the result of Britain’s 2015 general election, the Brexit vote in June and Donald Trump’s November election victory in the U.S.

The market moves that followed the U.K.’s vote to leave the EU and the U.S. election wrong-footed some investors, too. Stock markets swiftly bounced back following the Brexit vote, while an overnight slide in S&P 500 futures following Mr. Trump’s victory turned into a sharp rally once stock markets opened.

“We had these big events that came in different than expected and then the market reacted again [in a different way than anticipated],” said Andreas König, head of foreign exchange in Europe for Pioneer Investments.

Analysts are unclear how the pound might react to Britain’s vote next week.

A hung Parliament would normally be seen as negative for sterling, Paul Meggyesi, a strategist at J.P. Morgan, said in a note. But it could boost the currency if it leads to a coalition of centrist and left-wing parties, such as Labour and the Liberal Democrats, that opened up the prospect of

a softer Brexit, he said. However, it is uncertain how Labour’s anticipated domestic policies may weigh on sterling.

Nomura predicts a two-stage reaction for the pound if Mr. Corbyn wins.

“We think at first it would head lower, as increased uncertainty would lead to reduced [investment] inflows,” said Jordan Rochester, a foreign-exchange strategist. But subsequently, expectations of a softer Brexit deal and higher government spending could drive sterling upward.

Sterling movements are particularly relevant for the FTSE 100, whose component companies generate around 70% of their revenues overseas. A weaker pound tends to make those earnings more valuable and has helped push the U.K.’s benchmark stock index to record closes in recent days.

However, that could change if the polls continue to narrow, given what many see as a very antibusiness Labour platform, said Mr. Markham. Equity strategists at J.P. Morgan highlighted a variety of companies that would likely be worse off, including banks, retailers and defense companies.

Shanghai Stocks Fall For a Third Month

BY KENAN MACHADO
AND AKANE OTANI

Upbeat economic data helped send Chinese stocks higher in their first trading day of the week, but the benchmark Shanghai Composite index ended May with a loss of 1.2%, its third consecutive monthly decline.

WEDNESDAY'S MARKETS

An official measure of China’s factory activity stayed in expansionary territory in May, as did its official nonmanufacturing purchasing managers’ index, news investors interpreted as a sign that there hasn’t been a significant economic impact from Beijing’s efforts to crack down on leverage and shadow banking.

The results were “slightly better than expected,” said Hao Hong, head of research at Bocom International. “Though the recovery momentum is decelerating,” May’s increase in the service-sector reading was encouraging, he added. China has been trying to shift its economy to rely more on service industries.

The Shanghai index ended the day at 3117.18, up 0.2% from Friday but down 3.8% over the past three months. Chinese markets were closed for the first two days of this

week for a holiday.

In Japan, where stocks have been under pressure from a rising yen, the Nikkei Stock Average fell 0.1% Wednesday, but ended May with a gain of 2.4%.

U.S. stocks fell Wednesday, dragged down by financial shares. Near midday, the Dow Jones Industrial Average was down 21 points, or 0.1%, to 21007. The S&P 500 declined 0.2% and the Nasdaq Composite lost 0.2%.

Declines in bank stocks pressured major indexes after executives at J.P. Morgan Chase & Co. and Bank of America signaled that second-quarter trading was weakening, after a series of strong quarters that have boosted bank results.

Financial stocks in the S&P 500 fell 1%, deepening their losses for the month, while the KBW Nasdaq Bank Index of large U.S. commercial lenders shed 1.5%.

Overall, U.S. stocks climbed in May as upbeat corporate earnings and signs of a steadying global economy helped investors look past sliding commodity prices, as well as political uncertainty.

The Stoxx Europe 600 ended May with a gain of 0.75%, marking a fourth consecutive month of higher prices.



J.P. Morgan Chase signaled that trading is slowing down.



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MARKETS

Portugal Emerges as a Bond-Market Star

Debt yields fall as local economy thrives and French vote eases European political fear

The rally in eurozone bonds has a surprising star: Portugal.

By Jeannette Neumann in Lisbon and Jon Sindreu in London

Investors have been rushing into eurozone debt of late, lured by a mix of buoyant economic data and relaxation of political risk. And Portugal, among the European Union's smallest members and one that suffered through a bruising bailout six years ago, has benefited from the flood of capital flowing to Europe's periphery.

Yields on Portuguese 10-year debt closed at 3.092% Tuesday, at eight-month lows. That is a sharp reversal from the 4.3% reached in February, when borrowing costs rose on fears the French would elect anti-EU candidate Marine Le Pen as president. Instead, the April 23 victory of Emmanuel Macron in the first round of the election sparked a relief rally across Europe.

Money flowing into Portuguese equity funds has rocketed since, figures by EPFR Global show, much more than elsewhere in the eurozone. Portuguese 10-year yields have also led the fall and dropped 0.7 percentage point, compared with 0.1 percentage point for Italian yields. Yields decline as bond prices rise. Only Greek yields have fallen more, but for a different reason—expectations that international creditors will eventually unlock new bailout funds.

Bond investors have been further cheered by data showing that the three-year economic recovery in Portugal, where 10-year borrowing costs rose above 16% at the height



Tourism makes up 6.4% of Portugal's GDP, the highest on record. Here, southern Portugal.

of the sovereign-debt crisis in 2012, is accelerating. Portugal's economy expanded by an estimated 2.8% year over year in the first quarter, the fastest pace in nearly a decade. Annual growth is expected to continue but to ease to an average of about 1% to 1.5% in the medium term, according to Moody's Investors Service.

"The facts would suggest you are past the point of greatest grief," says Steven Andrew—a fund manager at M&G Investments, a £265 billion (\$341 billion) asset manager—who was long cautious about Portugal but turned into an enthusiastic buyer earlier this year.

Portugal remains, however, one of Europe's weakest links. Only credit-rating firm DBRS Ltd. considers the country's debt to be investment grade. Without at least one investment-grade rating, Portugal

would lose access to the European Central Bank's bond-buying program. Moody's and the two other major credit-rating firms each rate Portugal's debt in junk territory because of the country's high government debt and weak banking sector.

Despite the hurdles to a deeper economic recovery, business owners such as shoe designer Luis Onofre say they are feeling the nascent optimism in Portugal. The country's bailout years were "a dark period," Mr. Onofre said, but "the clouds have gone away."

Visitors have poured into Portugal, fearful of terrorist attacks in France, Turkey and Egypt. Tourism now makes up 6.4% of gross domestic product, the highest on record and far above the 4.6% level reached in 2011, according to data by the World Travel & Tourism Council.

That has given Mr. Onofre,

46 years old, the confidence to open a store that bears his name in Porto, a city famous for its sweet wine. An existing shop on Lisbon's main fashion strip, Avenida da Liberdade, where he sells high-end men's and women's shoes made in two factories in Portugal, is thriving.

Portugal hasn't been long on optimism in recent years. A debt bubble and rampant public spending—Portugal's budget deficit was nearly 10% of GDP in 2010—forced the country to take a €78 billion (\$87 billion) international rescue package in 2011. It is recovering from the double-dip recession that followed the bailout.

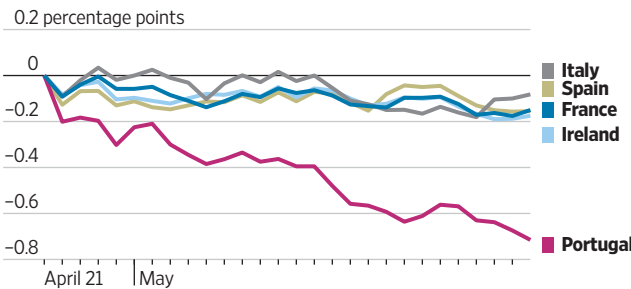
"It has taken a decade, almost a decade, to correct the mistakes of a past decade," said Carlos Moedas, European commissioner for research, science and innovation and a former Portuguese minister.

Now, its budget deficit is

A Standout on the Periphery

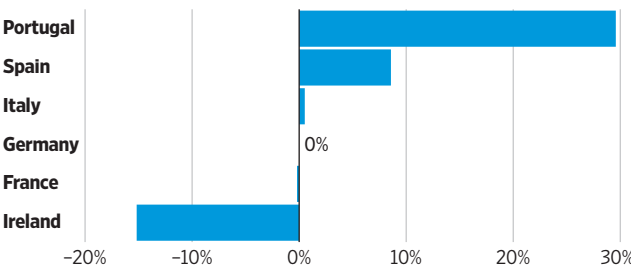
Portugal has led a recent slide in bond yields...

Change in yields on 10-year government debt since first round of French election



...and cash is pouring into stocks.

Flows of money into eurozone equity funds*



*Net flows as a share of the assets managed by these funds
Sources: Tradeweb (yields); EPFR (flows)

THE WALL STREET JOURNAL.

down to 2% of GDP, while business and consumer optimism is at levels last reached in 2001. A coalition between the Socialists and other leftist parties including Communists—an alliance so unlikely that it was dubbed "geringonça," or "contraption," when it was formed in late 2015—has governed well, business executives and investors say.

But doubts remain about whether the country has made enough structural changes to ensure a deep and durable recovery, a reminder that Europe's peripheral economies remain vulnerable.

Portugal's debt-to-GDP ratio is the highest in the EU after Greece and Italy and will likely remain above 125% in coming years. And unlike neighboring Spain, Portugal didn't do a deep cleaning of its banking system. Bad loans make up 17% of total lending, which is

crimping the flow of fresh loans. That has in turn stalled investment.

"You see all this bullishness around you," said Nuno Vilaça, partner at advisory investment boutique Raven Capital in Lisbon. But, he added, "there is a long way to go in the financial sector and in the industrial sector."

Like other areas of the periphery, such weaknesses leave Portugal particularly vulnerable when the ECB pulls back on its extremely loose monetary policy, which investors expect to happen next year. Portuguese paper could come under more pressure if the central bank slows its monthly purchases of bonds, said Patrick O'Donnell, senior investment manager at Aberdeen Asset Management, which oversees more than £308 billion. "Small markets are much more dependent" on the ECB, he added.

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Why Venezuelan Debt Could Pay

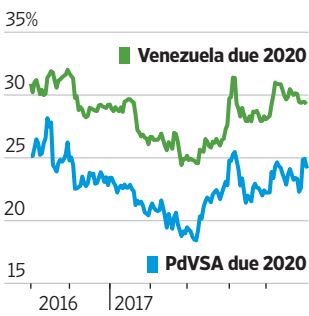
Goldman Sachs's asset-management arm is catching heat for buying up nearly \$3 billion worth of bonds issued by Venezuela's state-owned oil company at a knockdown price. Given the negative vibes, why do highbrow investors buy such junk-grade bonds in the first place?

Bonds such as those issued by Venezuelan oil giant **Petróleos de Venezuela SA**, or PdVSA, are among the most commonly traded in the emerging-markets world. Such debt is popular in part because it usually comes with an implicit—or even explicit—government guarantee, giving investors a measure of reassurance.

It's also hard to avoid. State-owned oil companies, with their heavy capital spending, are big bond issuers. PdVSA and other fellow state-owned oil giants, such as Brazil's Petrobras and Mexico's Pemex, account for 80% of quasi-sovereign emerging-market bonds, according to Barclays analysts. Because trading in these bonds is so liquid, investors aren't afraid to buy them up even when the companies—

Government Gap

Yield on government bonds versus PdVSA bonds



Sources: Thomson Reuters; Bloomberg (photo)

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as they do periodically—become involved in political scandals. Last week, amid more turmoil in Brazil, \$2.55 billion of Petrobras bonds changed hands, some of the highest trading volumes in emerging markets.

Trading such debt can be lucrative short term. Venezuela's government debt was the best-performing in the high-yield emerging-market sovereign-bond universe last week, with an 8.39% total return; PdVSA's returned 11.03% over the same period.



A **Petróleos de Venezuela** gas station in Caracas

PdVSA's bonds trade with a lower yield than Venezuela's sovereign debt, in part because the company owns the rights to most of the country's oil reserves.

There is opportunity for huge long-term gain too. Many analysts reckon Venezuela could eventually be forced into a debt restructuring that would include PdVSA's debt, which accounts for half of the country's foreign debt. The company's bondholders could face a long, painful fight:

PdVSA's bond prospectuses note that outside bondholders would be subordinated to company employees in such circumstances. Still, patience can pay off. Paul Singer's hedge fund Elliot Management raked in an almost 400% gain after holding out for 15 years after an Argentinian sovereign-debt default. PdVSA's bonds, like Argentina's, don't have clauses that would force a deal on investors, but most Venezuelan government bonds do. Such sovereign-debt restructuring can help governments presiding over collapsing economies use credit more efficiently.

Goldman Sachs Asset Management might offend some with its opportunism. Still, trading of debt such as PdVSA's is commonplace in secondary markets. By trading or holding such debt, fund managers usually aren't directly funding governments themselves. And if their actions eventually lead to countries like Venezuela getting their finances in better order they might—whisper it softly—even have a positive impact.

—Anjani Trivedi

OVERHEARD

The drone business can be turbulent even for those companies that aren't making drones.

Ask **Ambarella**. Shares of the chip maker that designs the high-definition image processors that are key components in camera-bearing quadcopters fell sharply on Tuesday.

An analyst downgraded Ambarella's stock on the belief that drone giant **DJI** went with another chip for its Spark drone unveiled last week.

As the undisputed drone market leader, DJI is believed to be one of Ambarella's largest customers. Such concentration brings risk.

Ambarella already had projected a drop in drone revenue, citing difficult comparisons resulting from the timing of new product launches.

The Spark's compact size and low price relative to other consumer camera drones will likely make the drone a top seller—and the air even thinner around those drone companies not named DJI.

A New Plan To Resurrect Ericsson

The crisis facing Swedish telecom giant **Ericsson** has two faces: a difficult market and little faith in management's ability to deal with it.

The arrival of Europe's largest activist fund manager on the shareholder register won't help with the first problem, but it does ease the second.

With about €15 billion (\$16.7 billion) under management, **Cevian Capital** plays a soft activist game, taking big positions in underperforming European industrial groups, obtaining board representation and then pushing behind the scenes for operational improvements to boost their margins.

Last year, profits in the core networks business collapsed as mobile operators wound down 4G investment programs. The old boss, Hans Vestberg, resigned in July 2016.

His successor, Börje Ekholm, thinks Ericsson needs to slim down and reinvest in its core business. Cevian agrees, but it wants to make sure the changes happen; the company's record of cutting costs is poor, and Mr. Ekholm isn't a proven operator.

Under Swedish law, Cevian can use its status as the third-largest shareholder by number of votes to gain a seat on the nomination committee that controls board appointments.

Investors showed their approval of the development by sending the shares up 5% Wednesday.

The advent of 5G technology some time after 2020 could spark another wave of investment by carriers, prompting a temporary upturn. But with long-term prospects grim, it will all be about timing the exit.

—Stephen Wilmot

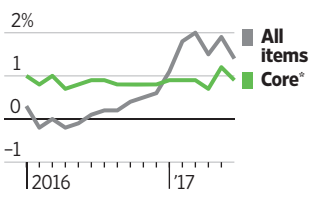
Growth but No Inflation Will Keep ECB Chugging Along

Mario Draghi justifies the European Central Bank's ultraloose policy by pointing to the wide divergence between growth, of which there is plenty, and inflation, of which there isn't. Fresh data out Wednesday fit that stance well, meaning next week's ECB meeting will signal small tweaks in direction at best.

First, the good news. Eurozone unemployment fell to 9.3% in April, its lowest since March 2009 and down nearly a full percentage point from a year earlier. Combined with buoyant indicators of sentiment and eurozone growth running near

Hard Core

Eurozone consumer prices, change from a year earlier



*Excludes energy, food, alcohol and tobacco

Source: Eurostat

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2% annualized, well above potential, the outlook for the currency bloc's economy looks promising.

Up to a point. Inflation undershot expectations in May. Headline inflation fell to 1.4% from 1.9% a month earlier, with "core" inflation—excluding energy, food, alcohol and tobacco—down to 0.9%. With distortions related to swings in the oil price and the timing of Easter unwinding, there is little sign yet of inflation meeting the ECB's criteria that a rise be self-sustaining and persistent, rather than transitory before it shifts policy significantly.

All this means the central bank is likely to stick to the status quo, for the most part. The ECB has pushed

back against calls for it to move away from its continued bond purchases and negative interest rates. It could, however, tweak its guidance on future action, which still indicates that the ECB could loosen policy further. Revised guidance would itself signal confidence in the growth outlook. Markets aren't expecting the ECB to do more, so removing that option shouldn't come as any surprise and shouldn't cause an unwanted tightening of financial conditions.

The inflation trend suggests that Mr. Draghi will continue to stress that the

ECB can't take any risks by tightening prematurely. The threat of deflation may have receded, but until core inflation shows some sign of sustained upward movement, the ECB won't be rushing for the QE exit.

The ECB will face greater pressure later this year as its bond purchases eat into the stock of available assets, particularly in Germany. At some point, the bank will need to reduce the pace of purchases. Still, if there is a change in the ECB's communications next week, expect a small step, not a giant leap.

—Richard Barley